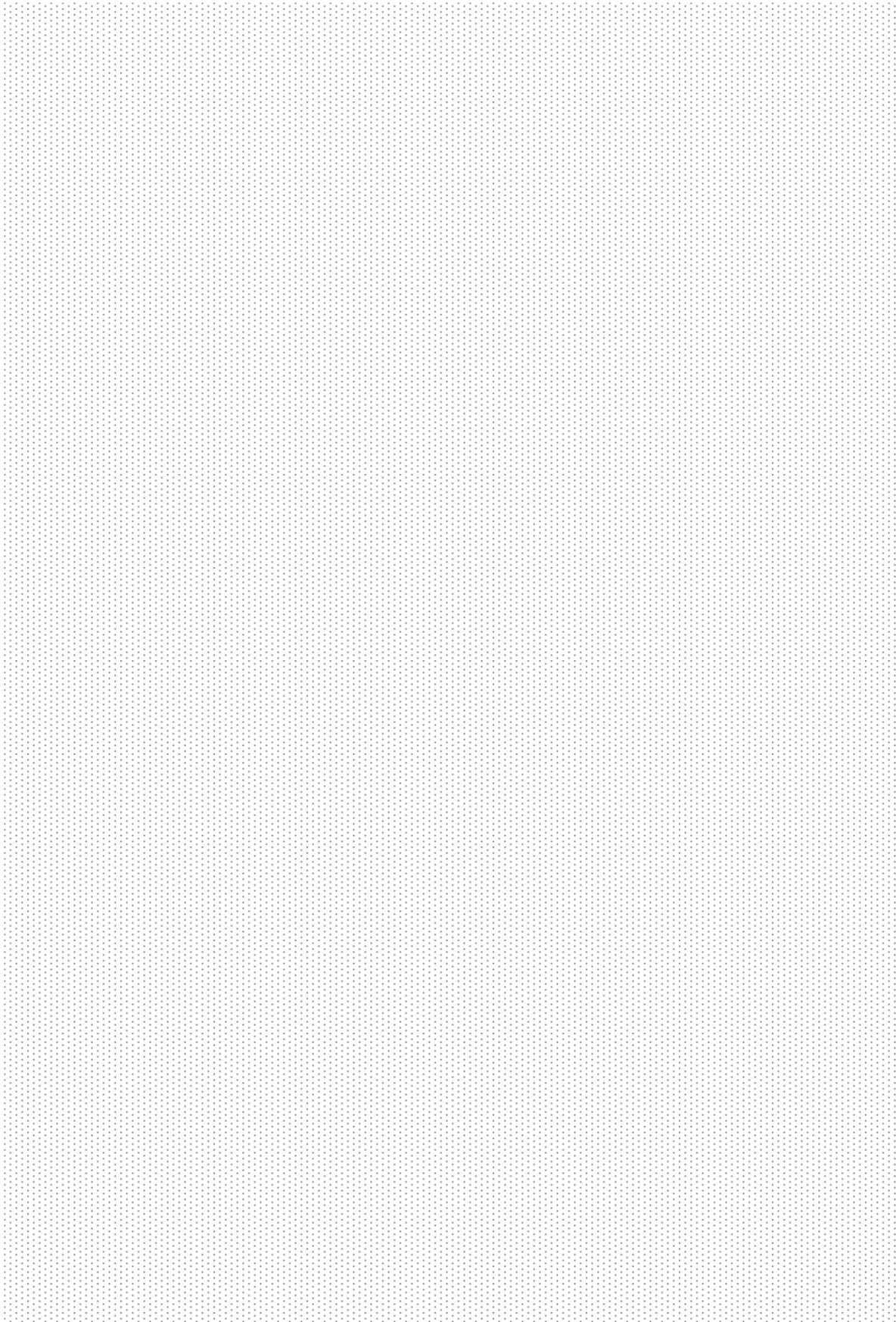


Gruppo **Posteitaliane**

Interim report for the nine months
ended 30 september 2015

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1. MANAGEMENT AND SUPERVISORY BODIES

Board of Directors ⁽¹⁾

| | |
|--|---|
| Chairwoman | Luisa Todini |
| Chief Executive Officer and General Manager | Francesco Caio |
| Directors | Elisabetta Fabri Umberto Carlo Maria Nicodano Chiara Palmieri Filippo Passerini Roberto Rao |

(1) The Board of Directors was elected by the Ordinary General Meeting of 2 May 2014. The number of Directors was increased at the General Meeting of 31 July 2015, after it was decided, in keeping with the Company's By-laws, to enlarge the Board in order to add new expertise and capabilities, partly to ensure an adequate composition of the various Board committees. The General Meeting voted to elect seven Board members and proceeded to elect Umberto Carlo Maria Nicodano and Chiara Palmieri, whose terms of office will expire at the same time as those of the existing Directors.

In addition, on 7 August 2015, Antonio Campo Dall'Orto resigned from the Board with immediate effect and, on 10 September 2015, the Board – in accordance with art. 2386 of the Italian Civil Code and art. 14.4 of the By-laws – appointed Filippo Passerini to replace the departing Director. Mr Passerini's election was then confirmed by the General Meeting of 23 September 2015.

Board of Statutory Auditors ⁽²⁾

| | |
|-------------------|------------------------------------|
| Chairwoman | Benedetta Navarra |
| Auditors | Maurizio Bastoni Nadia Fontana |
| Alternates | Manuela Albertella Alfonso Tono |

(2) The Board of Statutory Auditors was elected by the Ordinary General Meeting of 25 July 2013 to serve until approval of the financial statements for the year ended 31 December 2015.

Following the resignations of the Chairman, Biagio Mazzotta, and the alternates, Roberto Coffa and Patrizia Padroni, the Ordinary General Meeting of 23 September 2015 proceeded to replace the departing auditors, electing Maurizio Bastoni as a standing auditor and two alternates, Manuela Albertella and Alfonso Tono. At the same meeting, Benedetta Navarra was elected Chairwoman.

Magistrate appointed by the Italian Court of Auditors to audit Poste Italiane

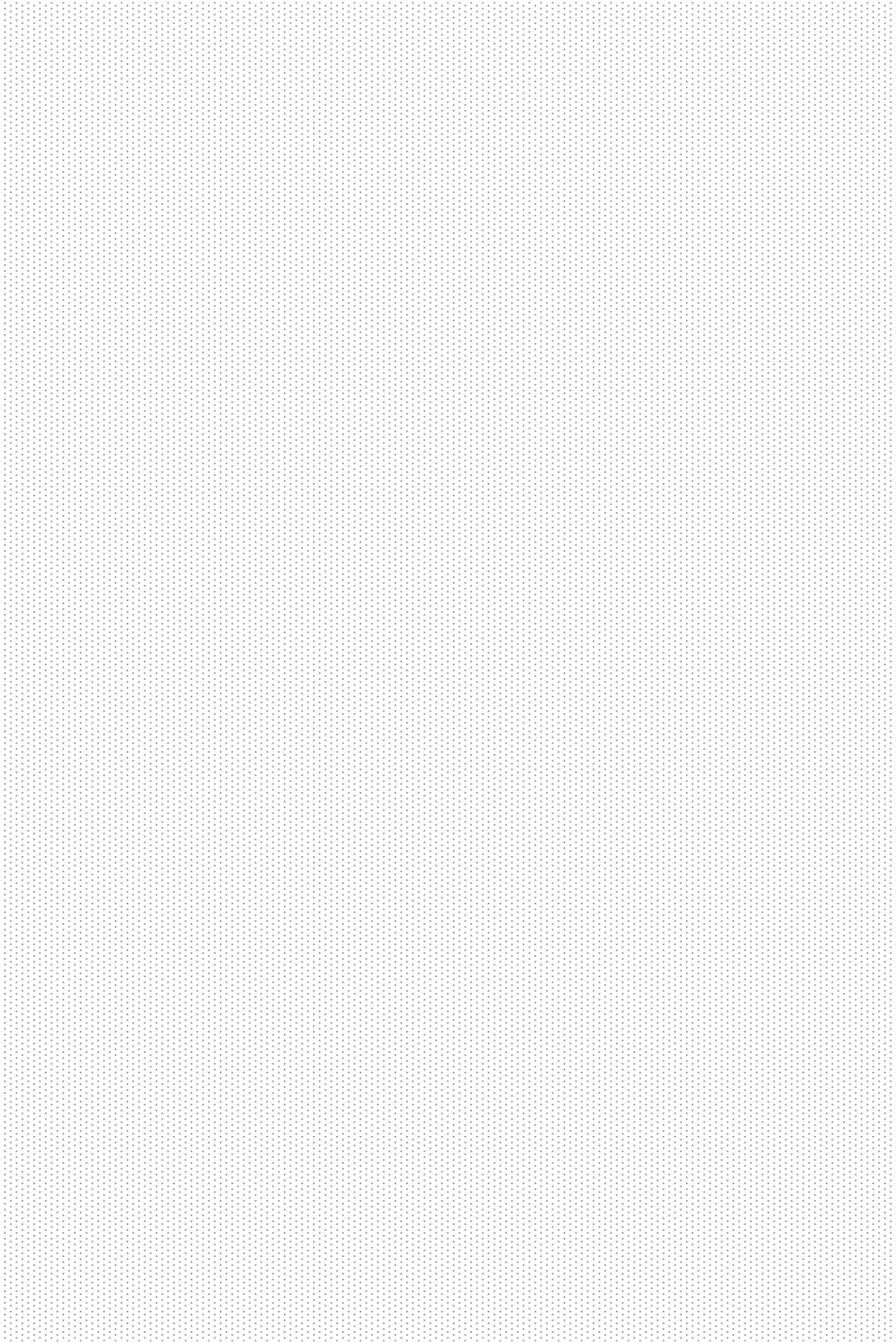
Francesco Petronio

Independent Auditors

PricewaterhouseCoopersSpA

At the meeting held on 10 September 2015, the Board of Directors established 3 Board committees with responsibility for making recommendations and providing advice to the Board. The following committee members were appointed:

| Nominations Committee | Remuneration Committee | Audit and Risk Committee |
|--|--|---|
| - Roberto Rao - Chairman - Chiara Palmieri - Filippo Passerini | - Filippo Passerini - Chairman - Elisabetta Fabri - Umberto Carlo Maria Nicodano | - Umberto Carlo Maria Nicodano - Chairman - Chiara Palmieri - Roberto Rao |



2. POSTE ITALIANE'S MISSION

To be a driving force for inclusive development in Italy, helping citizens, businesses and the Public Sector through the transition to a digital economy by offering high-quality, simple, transparent and reliable services

3. PERFORMANCE INDICATORS

This document has been prepared in compliance with the requirements of art. 154-ter, paragraph 5 of Legislative Decree 58 of 24 February 1998 (the Consolidated Law on Finance). The recognition, measurement and classification criteria used are those established by the International Financial Reporting Standards (IFRS) adopted by the European Union and contained in the related EU regulations published up to 9 November 2015, the date on which Poste Italiane SpA's Board of Directors approved this interim report for the nine months ended 30 September 2015.

Moreover, in accordance with the Committee of European Securities Regulators' Recommendation CESR/05-178b regarding alternative performance indicators, in addition to the financial disclosures required by IFRS, Poste Italiane has included a number of indicators in its interim report that have been derived from them. These provide management with a further tool for measuring the performances of the Parent Company and its subsidiaries.

The following alternative performance indicators have been used:

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation) – this is an indicator of a company's operating profitability before non-operating financial expenses and taxation, and depreciation, amortisation and impairments of non-current assets and investment property.

Gross ROE (Return On Equity) – the ratio of pre-tax profit to the average value of equity at the beginning and end of the reporting period. The performance of this indicator reflects, among other things, the change in the fair value reserves for financial assets classified as available-for-sale. In order to facilitate comparison of the Group's profitability, pre-tax profit has been used in calculating this indicator, rather than net profit for the period, given the different forms of taxation to which the Group's operating segments are subject and changes in the related tax regulations in recent years.

NON-CURRENT ASSETS – this indicator represents the sum of property, plant and equipment, investment property, intangible assets and investments measured using the equity method.

WORKING CAPITAL – the sum of inventories, trade receivables and other receivables and assets, less technical provisions attributable to reinsurers, current tax assets, trade payables and other liabilities, and current tax liabilities.

NET INVESTED CAPITAL – the sum of non-current assets and working capital, deferred tax assets, provisions for risks and charges, provisions for employee termination benefits and pension plans and deferred tax liabilities.

GROUP NET FUNDS/(DEBT) - the sum of financial liabilities, technical provisions for the insurance business, financial assets, technical provisions attributable to reinsurers, cash and deposits attributable to BancoPosta and cash and cash equivalents. This indicator is also shown separately for each operating segment.

INDUSTRIAL NET FUNDS/(DEBT), IN ACCORDANCE WITH ESMA GUIDELINES, for the Postal and Business services and Other services segments - the sum of the following items, shown according to the format recommended by ESMA, the European Securities and Markets Authority (document 319 of 2013): financial liabilities after adjusting for intersegment transactions, current financial assets after adjusting for intersegment transactions and cash and cash equivalents.

INDUSTRIAL NET FUNDS/(DEBT), before adjusting for intersegment transactions: this is the sum of net debt attributable to the sum of net funds/(debt) for the Postal and Business services and Other services segments before adjusting for intersegment transactions.

4. FINANCIAL AND OPERATIONAL HIGHLIGHTS

| Results of operations <i>(€m)</i> | For the nine months ended 30 September | |
|---|---|--------|
| | 2015 | 2014 |
| Total revenue | 23,921 | 22,560 |
| Revenue from sales and services and insurance premium revenue | 21,041 | 19,499 |
| <i>of which:</i> | | |
| <i>from Postal and Business Services</i> | 2,787 | 2,965 |
| <i>from Financial Services</i> | 3,532 | 3,616 |
| <i>from Insurance Services</i> | 14,543 | 12,740 |
| <i>from Other Services</i> | 179 | 178 |
| EBITDA | 1,355 | 1,225 |
| Operating profit/(loss) | 930 | 733 |
| Profit for the period | 622 | 333 |
| Gross ROE | 11.1% | 9.8% |

| Financial position <i>(€m)</i> | at | | 31 |
|--|-------------------|---------------------|---------------|
| | 30 September 2015 | at December 2014 | December 2014 |
| Non-current assets | 2,906 | | 2,893 |
| Working capital | 2,999 | | 3,941 |
| Net invested capital | 2,831 | | 3,677 |
| Equity | 9,137 | | 8,418 |
| Group net funds/(debt) | 6,306 | | 4,741 |
| Industrial net funds/(debt) (before adjusting for intersegment transactions) | (1,312) | | (1,451) |

| Investment <i>(€m)</i> | For the nine months ended 30 September | |
|------------------------------|---|------|
| | 2015 | 2014 |
| Investment during the period | 440 | 246 |

| Other operational data | at | | 31 |
|--|-------------------|---------------------|---------------|
| | 30 September 2015 | at December 2014 | December 2014 |
| Outstanding customer current accounts ('000) | 6,279 | | 6,173 |
| Postal savings (deposits for the period in €m) * | 323,714 | | 325,692 |
| Number of post offices | 13,048 | | 13,233 |

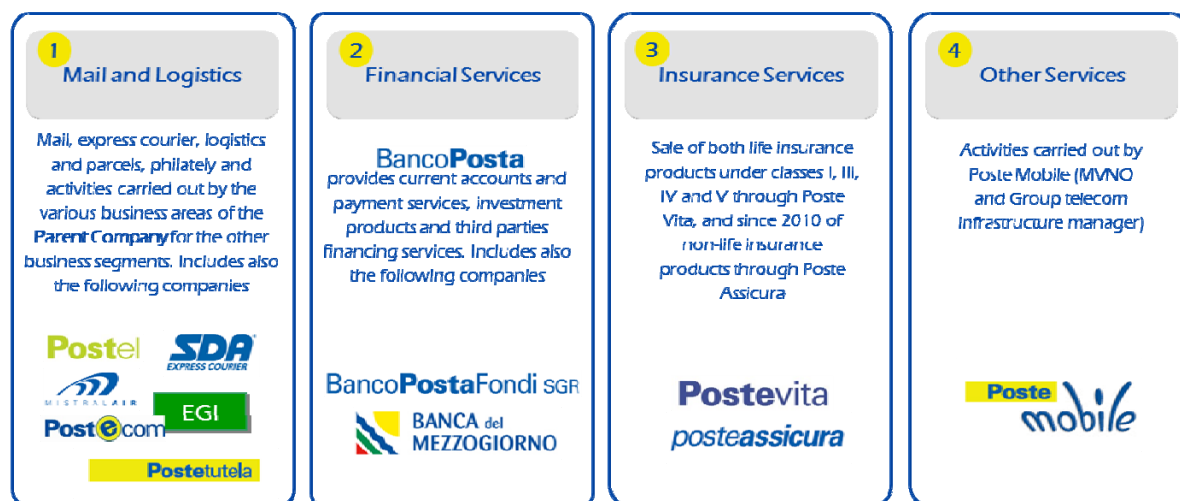
| | For the nine months ended 30 September | |
|--|---|-----------|
| Letters handled by Poste Italiane SpA ('000) | 2,445,491 | 2,742,918 |
| Express Delivery and Parcels ('000) | 59,662 | 54,063 |
| Current accounts (average for the period in €m) ** | 44,906 | 44,040 |
| Postal savings (net deposits in €m) *** | (9,033) | (4,490) |
| Poste Vita group (net premium revenue in €m) | 14,543 | 12,740 |
| Number of PosteMobile SIM cards (average for the period in '000) | 3,432 | 3,034 |
| Average workforce (FTEs) | 143,579 | 144,744 |

* Including accrued and unpaid interest.

** Amounts include Long-term RePo.

*** Including dormant accounts.

5. THE GROUP'S OPERATING SEGMENTS



The Initial Public Offering of Poste Italiane's ordinary shares by the Ministry of the Economy and Finance (the "MEF"), which at 30 September 2015 was Poste Italiane SpA's sole shareholder, was completed on 22 October 2015 and the shares are now listed on the *Mercato Telematico Azionario* (the *MTA*, an electronic stock exchange) organised and managed by Borsa Italiana SpA.

As a result of the Offering, a total of 498.3 million shares have been allotted, including 453 million offered for sale by the shareholder, the Ministry of the Economy and Finance (the "MEF"), and the remaining 45.3 million offered under the Over-Allotment Option in the context of the Institutional Offering.

The offer price was €6.75 per share.

Given its strategic importance, the transaction represents a major opportunity for the Company and will have a significant impact on the Company's governance, the operational processes that support the main areas of business and on the Business Plan, which aims to strengthen the Group's position in the main sectors in which it operates by focusing on three key elements: quality, technology and innovation.

6. MACROECONOMIC, MARKET AND REGULATORY ENVIRONMENT

After the moderate growth seen in early 2015, the global economy slowed in the third quarter of the year on the back of a decline in international trade. Growth was uneven across the various areas: emerging countries, which have led the way in recent years, are seeing a slowdown in the pace of growth, associated with worsening outlook for future growth and increased financial instability, with falls in a number of currencies. In particular, the slowdown in the Chinese economy, which has a key role to play in driving global growth, has led to a downturn in world commodity prices. The slowdown in these countries has only been partially offset by accelerated growth in countries such as India and Mexico.

Among the industrialised economies, the USA and UK continue to have a positive growth outlook, despite the doubts surrounding the prospects for global growth caused by uncertainty over when the Federal Reserve will raise interest rates and the threat of deflation. In this regard, the fall in commodity prices, including the price of oil, has enabled importing countries to keep inflation low. Growth in the euro zone, which appeared to be on the way to recovery in the first six months of the year, came in slightly below expectations in the third quarter, despite a combination of positive factors (the falling oil price, the decline in the value of the euro and the European Central Bank's expansionary measures), lowering the prospects for the full year. The ECB has, however, reiterated its commitment to supporting the recovery and has announced that the Quantitative Easing programme, launched in March 2015, may be expanded if economic indicators should show further signs of a slowdown.

A chink of light was provided by resolution of the Greek crisis. Talks between the country's government and representatives from the European Union led to an agreement enabling the Greek banking sector to overcome its liquidity crisis, in return for measures involving stringent cuts to public spending.

Italian GDP returned to growth in the third quarter, exceeding expectations at the beginning of the year. The recovery is being driven by an upturn in internal demand, in contrast to a decline in net exports, and by increased consumer spending thanks to an improvement in disposable income. Consumer and business confidence is improving and this is feeding through to the labour market, with unemployment falling.

Despite the uncertainty surrounding future international demand and the impact of monetary policies on the exchange rate, the Italian macroeconomic situation is expected to see a progressive improvement in the coming months.

7. GROUP OPERATING RESULTS

The Group's reports a positive operating performance for the first nine months of 2015, with operating profit of €930 million up 27% on the same period of 2014 (€733 million in the first nine months of 2014) and profit for the period of €622 million (€333 million for the first nine months of 2014).

Poste Vita achieved excellent operating results in the insurance sector, registering premium revenue of €14.5 billion (€12.7 billion in premium revenue in the same period of the previous year).

Revenue from Financial services is up on the same period of the previous year (€3,974 million in 2015, €3,960 million in 2014), whilst the contribution to operating profit is up 44% (€687 million in the first nine months of 2015, compared with the €477 million of 2014).

Finally, profit for the period of €622 million reflects a proportionate reduction in income tax expense compared with the comparative period, due primarily to the change in legislation that came into effect from 1 January 2015. This has made it possible to deduct personnel expenses for staff employed on permanent contracts from the IRAP tax base.

Reclassified consolidated statement of profit or loss

| (€m) | for the nine months ended 30 September | | | |
|---|--|---------------|---------------------|--------------|
| | 2015 | 2014 | Increase/(decrease) | |
| Revenue from sales and services and insurance premium revenue | 21,041 | 19,499 | 1,542 | 7.9% |
| Postal and Business Services | 2,787 | 2,965 | (178) | -6.0% |
| Financial Services | 3,532 | 3,616 | (84) | -2.3% |
| Insurance Services | 14,543 | 12,740 | 1,803 | 14.2% |
| Other Services | 179 | 178 | 1 | 0.6% |
| Other income from financial and insurance activities | 2,828 | 2,985 | (157) | -5.3% |
| Financial Services | 441 | 339 | 102 | 30.1% |
| Insurance Services | 2,387 | 2,646 | (259) | -9.8% |
| Other operating income | 52 | 76 | (24) | -31.6% |
| Postal and Business Services | 49 | 69 | (20) | -29.0% |
| Financial Services | 1 | 5 | (4) | -80.0% |
| Other Services | 2 | 2 | - | n/s |
| Total revenue | 23,921 | 22,560 | 1,361 | 6.0% |
| Cost of goods and services | 1,864 | 1,930 | (66) | -3.4% |
| Net change in technical provisions for insurance business and other claims expenses | 15,475 | 14,641 | 834 | 5.7% |
| Other expenses from financial and insurance activities | 684 | 71 | 613 | n/s |
| Personnel expenses | 4,370 | 4,482 | (112) | -2.5% |
| Capitalised costs and expenses | (21) | (16) | (5) | 31.3% |
| Other operating costs | 194 | 227 | (33) | -14.5% |
| Total costs | 22,566 | 21,335 | 1,231 | 5.8% |
| EBITDA | 1,355 | 1,225 | 130 | 10.6% |
| Depreciation, amortisation and impairments | 425 | 492 | (67) | -13.6% |
| Operating profit/(loss) | 930 | 733 | 197 | 26.9% |
| Finance income/(costs) * | 41 | 15 | 26 | n/s |
| Profit/(Loss) before tax | 971 | 748 | 223 | 29.8% |
| Income tax expense | 349 | 415 | (66) | -15.9% |
| Profit for the period | 622 | 333 | 289 | 86.8% |

n/s: not significant

* The figure for the first nine months of 2014 includes losses on investments accounted for using the equity method, amounting to €1 million.

Total revenue by operating segment

for the nine months
ended 30 September

| (€m) | 2015 | 2014 | Increase/(decrease) | |
|-----------------------------------|---------------|---------------|---------------------|-------------|
| Postal and Business Services | 2,836 | 3,034 | (198) | -6.5% |
| Financial Services | 3,974 | 3,960 | 14 | 0.4% |
| Insurance Services | 16,930 | 15,386 | 1,544 | 10.0% |
| Other Services | 181 | 180 | 1 | 0.6% |
| Total Poste Italiane Group | 23,921 | 22,560 | 1,361 | 6.0% |

After consolidation adjustments and elimination of intercompany transactions.

The Poste Italiane Group's total revenue for the period amounts to €23,921 million, marking an increase of 6% on the same period of 2014. In addition to the strong performance of the insurance segment, where total revenue is €16,930 million (€15,386 million in the same period of 2014), the improvement also reflects stable revenue from Financial services. These positive results more than offset the structural decline of the Postal and Business services segment, where revenue is down from €3,034 million in the first nine months of 2014 to €2,836 million in the same period of 2015.

Taking a closer look, total revenue from Postal and Business services is down €198 million compared with 2014, reflecting the growing popularity of digital media and communication, which has led to a progressive reduction in demand for traditional products and services.

As mentioned above, total revenue from Financial services is up €14 million on the same period of the previous year, driven by the positive performance of other income from financial activities, which is up from the €339 million of 2014 to €441 million in the first nine months of 2015 (an increase of 30%). This category of revenue includes income from the sale of available-for-sale financial assets, in the form of euro area government securities, in which the postal current account deposits of BancoPosta RFC's private customers are invested. In spite of an increase in average current account deposits, revenue and other income is down €84 million as a result of a reduction in the average interest earned on deposits invested in government securities and on interest-bearing deposits with the Ministry of the Economy and Finance.

The Insurance services segment delivered excellent results during the period, with Group companies (represented by Poste Vita and its subsidiary, Poste Assicura) recording premium revenue of €14.5 billion (€12.7 billion in the same period of 2014). This primarily reflects the performances of traditional Class I investment and savings products, where the Group has built up a strong presence. Other income from financial and insurance activities is, however, down from the €2,646 million of 2014 to €2,387 million, reflecting fair value losses on the financial instruments held to cover obligations to policyholders.

Total revenue from other services amounts to €181 million. This is in line with the same period of 2014, despite improved operating results from Poste Mobile.

The cost of goods and services is down 3.4% from €1,930 million in the first nine months of 2014 to €1,864 million in the same period of 2015, reflecting a reduction in the cost of funding, represented by interest paid to customers by BancoPosta RFC, and in purchases of goods.

The net change in technical provisions for the insurance business and other claims expenses, which is closely linked to the above growth in premium revenue recorded by Poste Vita, amounts to €15,475 million, marking an increase of 5.7% compared with the same period of the previous year.

Other expenses from financial and insurance activities are up from €71 million in the first nine months of 2014 to €684 million in the same period of 2015, reflecting the greater impact of fair value losses on financial instruments, for the most part attributable to the subsidiary, PosteVita.

Personnel expenses are down 2.5% from the €4,482 million of the first nine months of 2014 to €4,370 million in the same period of 2015. This reflects a reduction in the average workforce employed during the period (almost 1,200 fewer full-time equivalents on average in the first nine months of 2015, compared with the same period of the previous year) and the use of provisions for early retirement costs set aside in previous years.

7.1 OPERATING RESULTS BY OPERATING SEGMENT

(€m)

| for the nine months ended 30 September 2015 | Postal and Business Services | Financial Services | Insurance Services | Other Services | Adjustments and eliminations | Total |
|---|------------------------------|--------------------|--------------------|----------------|------------------------------|---------------|
| External revenue from sales and services | 2,787 | 3,532 | - | 179 | - | 6,498 |
| Premium income from external policyholders | - | - | 14,543 | - | - | 14,543 |
| Other external revenue from financial and insurance activities | - | 441 | 2,387 | - | - | 2,828 |
| Other external revenue | 49 | 1 | - | 2 | - | 52 |
| Total intersegment revenue | 3,358 | 380 | - | 69 | (3,807) | - |
| Total revenue | 6,194 | 4,354 | 16,930 | 250 | (3,807) | 23,921 |
| Cost of external goods and services | 1,531 | 141 | 34 | 158 | - | 1,864 |
| Net change in technical provisions for insurance business and other claims expenses payable to external policyholders | - | - | 15,475 | - | - | 15,475 |
| Other external expenses from financial and insurance activities | - | 9 | 675 | - | - | 684 |
| External personnel expenses | 4,241 | 94 | 19 | 16 | - | 4,370 |
| External depreciation, amortisation and impairments | 389 | 1 | 7 | 28 | - | 425 |
| Capitalised external costs and expenses | (21) | - | - | - | - | (21) |
| Other external operating costs | 96 | 86 | 7 | 5 | - | 194 |
| Total intersegment costs | 95 | 3,336 | 362 | 14 | (3,807) | - |
| Total costs | 6,331 | 3,667 | 16,579 | 221 | (3,807) | 22,991 |
| Operating profit/(loss) | (137) | 687 | 351 | 29 | - | 930 |

(€m)

| for the nine months ended 30 September 2014 | Postal and Business Services | Financial Services | Insurance Services | Other Services | Adjustments and eliminations | Total |
|---|------------------------------|--------------------|--------------------|----------------|------------------------------|---------------|
| External revenue from sales and services | 2,965 | 3,616 | - | 178 | - | 6,759 |
| Insurance premium revenue from external policyholders | - | - | 12,740 | - | - | 12,740 |
| Other external revenue from financial and insurance activities | - | 339 | 2,646 | - | - | 2,985 |
| Other external revenue | 69 | 5 | - | 2 | - | 76 |
| Total intersegment revenue | 3,480 | 311 | 1 | 63 | (3,855) | - |
| Total revenue | 6,514 | 4,271 | 15,387 | 243 | (3,855) | 22,560 |
| Cost of external goods and services | 1,557 | 181 | 29 | 163 | - | 1,930 |
| Net change in technical provisions for insurance business and other claims expenses payable to external policyholders | - | - | 14,641 | - | - | 14,641 |
| Other external expenses from financial and insurance activities | - | 11 | 60 | - | - | 71 |
| External personnel expenses | 4,360 | 87 | 17 | 18 | - | 4,482 |
| External depreciation, amortisation and impairments | 450 | 2 | 5 | 35 | - | 492 |
| Capitalised external costs and expenses | (15) | - | - | (1) | - | (16) |
| Other external operating costs | 164 | 55 | 7 | 1 | - | 227 |
| Total intersegment costs | 64 | 3,458 | 318 | 15 | (3,855) | - |
| Total costs | 6,580 | 3,794 | 15,077 | 231 | (3,855) | 21,827 |
| Operating profit/(loss) | (66) | 477 | 310 | 12 | - | 733 |

7.1.1 POSTAL AND BUSINESS SERVICES

Segment profit or loss – Postal and Business Services

| (€m) | For the nine months ended 30 September | | | |
|--|--|--------------|---------------------|--------------|
| | 2015 | 2014 | Increase/(decrease) | |
| Revenue from sales and services | 2,787 | 2,965 | (178) | -6.0% |
| Other operating income | 49 | 69 | (20) | -29.0% |
| Total external revenue | 2,836 | 3,034 | (198) | -6.5% |
| Intersegment revenue | 3,358 | 3,480 | (122) | -3.5% |
| Total revenue | 6,194 | 6,514 | (320) | -4.9% |
| Cost of goods and services | 1,531 | 1,557 | (26) | -1.7% |
| Personnel expenses | 4,241 | 4,360 | (119) | -2.7% |
| Depreciation, amortisation and impairments | 389 | 450 | (61) | -13.6% |
| Capitalised costs and expenses | (21) | (15) | (6) | 40.0% |
| Other operating costs | 96 | 164 | (68) | -41.5% |
| Intersegment costs | 95 | 64 | 31 | 48.4% |
| Total costs | 6,331 | 6,580 | (249) | -3.8% |
| Operating profit/(loss) (EBIT) | (137) | (66) | (71) | n/s |

n/s: not significant

The Postal and Business Services segment recorded an operating loss of €137 million for the first nine months of 2015 (a loss of €66 million for the same period of 2014). This performance reflects the fall of €320 million in total revenue (including a €198 million decline in external revenue and a reduction of €122 million in captive revenue in the first nine months of 2015), due, on the one hand, to a reduction in traditional mail volumes and, on the other, the different mechanism for the remuneration of services provided by the distribution network (so-called “internal operating guidelines”) compared with 2014.

The decline in revenue was accompanied by a €249 million decline in costs, reflecting reductions in both personnel expenses (down from €4,360 million in the first nine months of 2014 to €4,241 million in the same period of 2015), and in depreciation, amortisation and impairments (€61 million lower than in the same period of 2014). This trend confirms the effectiveness of the cost efficiency drive launched in 2015.

THE POSTAL SERVICES MARKET

The main European incumbents continued to register falling mail volumes in the first nine months of 2015. The pace of decline varies from one operator to another depending on the level of internet penetration, the degree to which public and private organisations have shifted to electronic invoicing and billing, the level of market competition and deregulation, the degree of demand elasticity to price changes and other macroeconomic factors.

Against this backdrop, a number of national regulators have begun to review the regulations governing postal services, with a view to ensuring the sustainability of the Universal Service provided by public providers, whilst at the same time opening up the market to competition.

In Italy, where the rate of decline in volumes since 2007 has been the fastest among all the main European operators, the approach adopted by the regulator (AGCom - the Italian Communications Authority) to

provision of the Universal Postal Service has allowed Poste Italiane to proceed with its planned transformation of the postal service, necessary in order to continue to effectively meet the changing needs of customers in the digital age.

In contrast, the market for Express Delivery and Parcels continues to grow, primarily driven by the expansion of e-commerce. After growth of 16% in 2014, the market is expected to see further growth of 15% in the current year, with the value of the e-commerce market due to exceed €15 billion (source: NetComm Ecommerce Forum).

POSTAL SECTOR REGULATIONS

Service Contract

The *Contratto di Programma* (Service Contract) regulates relations between the Ministry for Economic Development and Poste Italiane SpA in connection with the Universal Postal Service.

Pursuant to the extension referred to in article 16, paragraph 3 of the Service Contract for 2009-2011, and as confirmed by Law 190 of 23 December 2014, article 1, paragraph, 274, letter a) (the 2015 Stability Law), the Service Contract 2009-2011 remains in force until completion of the approval procedure regarding the new Service Contract for the five-year period 2015-2019.

The draft Service Contract 2015-2019, which implements the changes to the Universal Postal Service regulations contained in the 2015 Stability Law, was sent to the Ministry for Economic Development in January 2015. Following subsequent discussions between the parties, on 3 July 2015, a final version of the Service Contract for 2015-2019 was agreed with the Ministry and then sent to the Ministry of the Economy and Finance and the regulator, AGCom, to obtain their respective opinions. After receiving these opinions, on 24 July 2015, the Ministry for Economic Development sent the new version to the relevant parliamentary committees to obtain their non-binding opinions, which were delivered on 5 August 2015. The Ministry incorporated some of these comments, which did not however alter the overall framework of the Agreement. On 27 July 2015, the Ministry reported to the European Commission on the compensation to be paid for the periods 2012-2014 and 2015-2019 in return for provision of the Universal Postal Service, thus enabling the Commission to conduct its usual assessment relating to state aid, and forwarded the draft Service Contract. On 6 October 2015, the Service Contract 2015-2019 was formally submitted to the European Commission. In accordance with current procedures, from this date the Commission has two months to decide on the document's compatibility with EU rules regarding state aid, unless the deadline is extended in order to take account of requests for information.

On 7 October 2015, the Italian delegation at the European Union received a "comfort letter" from the Directorate-General for Competition of the European Union stating that a favourable outcome for the state aid approval procedure was foreseeable, as the Directorate-General intended to propose that the appointed College of Commissioners should authorise the reported compensation. Consequently, the Parent Company believes that a favourable ruling will be handed down by the Commission before the end of 2015.

Other regulatory measures

On 26 January 2015, the MISE issued a Decree regarding *Calculation and procedures for the payment of contributions by postal operators to the Autorità per le Garanzie nelle Comunicazioni (AGCom) for the years 2012, 2013 and 2014*, regarding the contribution that all postal service operators are obliged to pay to AGCom to fund the regulator's activities, in accordance with the provisions of Legislative Decree 261/99, art. 2, paragraph 14, letter b). On 27 February 2015, AGCom published instructions regarding contribution

payment procedures on its website. The contributions for 2012 and 2013 were paid to the regulator on 30 March 2015. Payment of the contribution for 2014 was postponed following a ruling by the Lazio Regional Administrative Court relating to an appeal lodged by the Italian Association of International Air Couriers (AICAI) and certain postal operators requesting cancellation of the relevant Decree. A hearing on the merits of the appeal has been scheduled for 13 January 2016.

Other regulatory measures regarding the sector include the draft of Law 3012 "Annual market and competition law", presented by the government in June 2015, which in art. 18 provides for the repeal, from 10 June 2016, of art. 4 of Legislative Decree 261/99, giving Poste Italiane SpA exclusive rights (as the universal service provider) to offer services relating to legal process and the notification of violations of the Highway Code.

*Principal relations with the *Autorità per le Garanzie nelle Comunicazioni* (AGCom - the Italian Communications Authority)*

Following implementation of the 2015 Stability Law, which sets out principles aimed at ensuring the sustainability of service provision, partly in anticipation of a future decline in volumes and in the light of the amount of resources available to fund it, the Company sent two proposals to the regulator that AGCom subsequently submitted for public consultation, via Resolution [163/15/CONS](#) and Resolution [164/15/CONS](#) on 27 March 2015. On completion of the consultations, on 20 July 2015, AGCom adopted the following resolutions:

- Resolution [395/15/CONS](#) "Authorisation of an alternate delivery model for mail within the scope of the universal service";
- Resolution [396/15/CONS](#) "New statistical quality targets and new tariffs regarding universal service mail pursuant to art. 1, paragraph 280, of Law 190 of 23 December 2014".

Specifically, in Resolution [395/15/CONS](#), the regulator defined the criteria to identify the municipalities affected by the new model, based on the particular geographical nature and type of infrastructure characterising mail delivery in Italy. Implementation of alternate day delivery (with delivery on Monday, Wednesday and Friday in one week, and delivery on Tuesday and Thursday in the following week), which, when fully implemented, will affect up to a quarter of Italy's population, will be rolled out in three phases: the first in October 2015, the second in April 2016 and the third in February 2017.

The regulator may restrict or influence the introduction of corrective measures relating to implementation of the second and third phases, whether arising from any comments made by the European Commission or to solve any problems identified during the monitoring process. Poste Italiane will be required to send quarterly reports to the regulator, including detailed information on cost savings made, problems encountered and any impacts on users. In addition, an annual summary report must be sent to the regulator and the European Commission regarding each phase of the model's implementation.

On completion of the gradual implementation of the new delivery model, from February 2018, the regulator will assess whether grounds exist for extending its authorisation of the model, taking into account any problems arising during the model's overall implementation period and the correspondence between the results achieved with the targets set out in Poste Italiane's Business Plan. As notified on 25 September 2015, Codacons has lodged an appeal before the Lazio Regional Administrative Court opposing the resolution. Discussion of the request for suspensive relief is awaited.

Subsequently, on 16 October 2015, the Italian Federation of Newspaper Publishers (FIEG) and Avvenire Nuova Editoriale SpA lodged an appeal with the Lazio Regional Administrative Court against the same resolution, as did the Piedmont branch of the National Confederation of Local Authorities (ANCI), together with some municipalities in Monferrato, in a separate appeal.

With Resolution [396/15/CONS](#), AGCom also introduced some amendments to Resolution 728/13/CONS, regarding the regulation of Universal Postal Service rates.

Regarding ordinary mail, the resolution transferred the safeguard cap mechanism previously applied to priority mail to this product, bringing forward to 1 October 2015 the option to apply the maximum rate of €0.95 (domestic retail rate for the first attempt at delivery). The mechanisms that strictly linked changes regarding the first attempt at delivery for domestic retail products to those to be applied to subsequent attempts at delivery and international and online products have been replaced by more flexible criteria relating to accessibility, fairness, reasonableness and non-discrimination. Future developments in the ordinary mail rate envisage allowing Poste Italiane to revise rates from 1 January 2017 until expiry of the Service Contract, with adjustments applied at least once a year, in inverse proportion to the performance of volumes. In terms of priority mail, also from 1 October 2015, Poste Italiane's sole obligation is to charge fair, moderate and non-discriminatory rates. However, in the event that quality commitments are not met, AGCom is entitled to impose different prices for different levels of service and automatic compensation mechanisms.

In light of the above, rate changes were applied from 1 October 2015, primarily regarding:

- the introduction of Ordinary Mail, with rates starting from €0.95 for retail products, from €0.85 for pro (and online) products, and from €1.00 for international products;
- the restructuring of priority mail, which has been enhanced with a reporting service, with rates starting from €2.80 for retail products, from €2.10 for pro (and online) products, and from €3.50 for international products;
- setting the acknowledgement of receipt rate (ordinary mail only) at €0.95 for single mail items, €0.70 for multiple items and €1 for international items.

Regarding service quality, at least 80% of priority mail items should be delivered within the first available day after collection (the quality target), and at least 98% of items should be delivered by the end of the fourth working day after collection (the reliability target).

The first priority mail target is measured in terms of "available" working days in order to enable implementation of alternate day delivery. Therefore, the target will be set at one, two or three working days after collection, depending on whether the collection and/or delivery area is affected by alternate day delivery.

For all other regulated products (ordinary, bulk, registered and insured mail) the rapidity target is set at J+4 for 90% of mail items, and the reliability target at J+6 for 98% of items. Ordinary parcels are only required to meet the set quality target (90% of parcels at J+4).

With Resolution [129/15/CONS](#) of 11 March 2015, issued on completion of a procedure launched in 2013, AGCom approved the "Regulations regarding the requirements to be met in order to offer postal services to the public" (Annex A of the Resolution). Applied on 24 March 2015, the Resolution sets out the conditions (requirements and obligations) to be met before an individual licence can be issued and general authorisation be given by the Ministry for Economic Development.

On 27 May 2015, Nexive SpA and the Italian Association of International Air Couriers (AICAI) challenged the Resolution before the Lazio Regional Administrative Court (also notifying Poste Italiane as the other party to the proceedings), with particular reference to the obligation for general authorisation holders to contribute to the universal service compensation fund, on the basis of earnings received from the sale of services deemed to be in replacement of universal services. On 27 June 2015, Poste Italiane submitted its brief regarding the proceedings launched by AICAI to the Lazio Regional Administrative Court. The hearing on the merits has been scheduled for 15 November 2015.

Pursuant to the above-mentioned resolution, on 29 July 2015, the Ministry for Economic Development published terms and conditions containing procedures relating to the issue of the licence to provide postal services to the public.

On 31 October 2014, AGCom issued Resolution [564/14/CONS](#), launching a procedure designed to define the legal and financial terms and conditions relating to the return of mail items entrusted by senders to operators other than Poste Italiane, and returned via the latter's network. The launch of the investigation is justified by the large number of such items, and certain difficulties involved in negotiating the related agreements for their return. Subsequently, on 12 May 2015, AGCom issued Resolution [287/15/CONS](#), launching a public consultation on the matter. Poste Italiane submitted its contribution on 6 July 2015. Via the same resolution, the deadline for the investigation as per Resolution 564/14/CONS (set at 120 days) was extended by 30 days. An additional extension of 60 days was finally made by Resolution [410/15/CONS](#) of 9 July 2015.

On 11 March 2015, AGCom issued Resolution [121/15/CONS](#), launching a procedure aimed at measuring and reducing administrative costs arising from reporting requirements relating to matters for which the regulator is responsible. The deadline set for completion of the procedure is 180 days from the date of publication of the Resolution on the regulator's website, without prejudice to any further justified extensions. On 15 May 2015, Poste Italiane submitted an initial contribution to the regulator, prepared at the regulator's express request. With Resolution [456/15/CONS](#) of 28 July 2015, the deadline for completion of the proceedings was extended by 90 days.

On 23 September 2014, the regulator issued Resolution [493/14/CONS](#) (published on 9 October 2014), marking the start of the process covering the analysis and applicability of the method for allocating and assessing the net cost of the universal postal service for 2013¹, with the aim of checking the calculation against the method applying the indications contained in Directive 2008/6/EC, and identifying, if necessary, a mechanism for allocating the cost among operators that would minimise market distortion. On 24 July 2015, the regulator notified extension of the investigation to include 2014. The end of the procedure, set for 23 September 2015, was extended by 90 days by AGCom Resolution [397/15/CONS](#), published on 27 July 2015. Regarding the cost for 2012, on 7 August 2015, the Ministry of the Economy and Finance granted the Company compensation of €327 million, equivalent to the cost ascertained by AGCom.

On 14 April 2015, AGCom issued formal notification of penalty [CONT 02/15/DSP](#), launching a procedure against Poste Italiane for alleged violation of certain legal obligations relating to provision of the Universal Postal Service, with regard to the exceptional closure of 21 post offices in the Province of Messina on certain

¹ On 29 July 2014, the board of AGCom issued Resolution [412/14/CONS](#), approving the measure defining the method of calculating and quantifying the net cost of the universal postal service for 2011 and 2012. On 13 November 2014, Poste Italiane challenged this resolution before the Regional Administrative Court and is waiting for a hearing on the merits to be scheduled.

days in July and August 2014. The regulator set a deadline for completion of the procedure at 150 days from notification of the proceedings, without prejudice to any suspensions due to further investigations. On 14 May 2015, Poste Italiane submitted a defence brief to the regulator, which was subsequently supplemented with additional evidence prepared after the Company accessed the relevant documents. With Resolution [517/15/CONS](#) of 25 September 2015, notified to the Company on 26 October 2015, the regulator filed the penalty procedure regarding 29 of the 42 violations initially claimed, while for the remaining 13 it extended the deadline for the procedure until 24 November 2015 in order to carry out further investigations.

On 10 July 2015, AGCom issued formal notification of penalty [CONT. N. 04/15/DSP](#), launching a procedure against Poste Italiane for the alleged violation of its legal obligations relating to certain post offices and local area offices, following monitoring carried out by IZI SpA in 2014 in connection with changes to post office opening hours during the summer period. The regulator set a deadline for completion of the procedure at 150 days from notification of the proceedings, without prejudice to any suspensions due to further investigations. On 7 August 2015, Poste Italiane sent the regulator a defence brief, rejecting the alleged violations.

7.1.2 FINANCIAL SERVICES

Segment profit or loss – Financial Services

| | For the nine months ended 30 September | | | |
|--|--|--------------|---------------------|--------------|
| (€m) | 2015 | 2014 | Increase/(decrease) | |
| Revenue from sales and services | 3,532 | 3,616 | (84) | -2.3% |
| Other income from financial activities | 441 | 339 | 102 | 30.1% |
| Other operating income | 1 | 5 | (4) | -80.0% |
| Total external revenue | 3,974 | 3,960 | 14 | 0.4% |
| Intersegment revenue | 380 | 311 | 69 | 22.2% |
| Total revenue | 4,354 | 4,271 | 83 | 1.9% |
| Cost of goods and services | 141 | 181 | (40) | -22.1% |
| Other expenses from financial activities | 9 | 11 | (2) | -18.2% |
| Personnel expenses | 94 | 87 | 7 | 8.0% |
| Depreciation, amortisation and impairments | 1 | 2 | (1) | -50.0% |
| Other operating costs | 86 | 55 | 31 | 56.4% |
| Intersegment costs | 3,336 | 3,458 | (122) | -3.5% |
| Total costs | 3,667 | 3,794 | (127) | -3.3% |
| Operating profit/(loss) (EBIT) | 687 | 477 | 210 | 44.0% |

Operating profit generated by the Financial Services segment in the first nine months of 2015 amounts to €687 million, marking an increase of 44% on the same period of the previous year. This sum was essentially generated by BancoPosta RFC's operations.

External revenue amounts to €3,974 million (up 0.4% on the same period of 2014), having benefitted from an increase in other income from financial activities (€441 million, compared with €339 million in the first nine months of 2014), linked to the sale of available-for-sale ("AFS") financial assets by BancoPosta RFC, which more than offset a reduction in revenue from sales and services. The latter are down 2.3% from €3,616 million in the first nine months of 2014 to €3,532 million in the same period of 2015, reflecting a reduction in interest from the investment of deposits, due to lower average returns on the deposits invested in government securities and those deposited with the Ministry of the Economy and Finance, and lower revenue from the processing of bills paid by payment slip. In 2014, the latter benefitted from revenue earned the service provided to the Ministry for Economic Development's Department of Land Transport. This service has been managed by Consorzio Poste Motori since 14 July 2014, with revenue generated from the provision of remittance services rather than from the processing of payment slips.

Costs of €3,667 million are down 3.3%. This reflects both a reduction in interest paid to current and term deposit account holders, and a decrease in intersegment costs (down 3.5%), partly reflecting the reduced transfer prices charged to BancoPosta RFC by other Poste Italiane functions, in line with the "General Guidelines governing the process of contracting out BancoPosta's corporate functions to Poste Italiane" in effect from 1 January 2015 and in application of the related "operating guidelines". The reduction is explained by the new method of calculating the charge, which is now based broadly on a percentage share of revenue generated and no longer on the cost of providing the service plus a mark-up.

Following Poste Italiane's acquisition of 10.32% of Anima Holding², on 31 July 2015 BancoPosta Fondi Sgr and Anima Holding signed a partnership agreement. This was followed on 24 September 2015 by the launch of the first ever mutual investment fund to be distributed in partnership with Anima, called "BancoPosta Evoluzione 3D". This fund, which is open for subscription until 24 December 2015, is a flexible fund that aims to accumulate capital through a gradual increase in its exposure to equities – over a period of 5 years from the end of the subscription period – and then through active management of the resulting portfolio, whilst remaining within precise risk limits.

FINANCIAL MARKET TRENDS

Deflationary pressures in the euro zone led the ECB to intervene in the markets, launching a large-scale programme of Quantitative Easing in 2015, including the purchase of government and corporate bonds worth €60 billion a month through to September 2016. At 30 September 2015, the ECB's purchases of government securities alone amount to approximately €338 billion.

This injection of liquidity has driven down government bond yields, benefitting Italian government debt and helping to keep the spread between 10-year Treasury Notes (BTPs) and 10-year German Bunds below 170 basis points throughout the year (at 30 September 2015, the spread was 114 basis points).

THE BANKING SYSTEM

In the first nine months of 2015, Italian bank deposits by resident savers fell, with aggregate deposits totalling approximately €1,673 billion in August. This represents a year-on-year decline of 2.05%. This negative performance is due to falling investment in bonds, only partially offset by growth in deposits by resident customers. Funding costs (deposits, bonds and repurchase agreements) continued to follow a downward trend. The average cost of customer deposits in August 2015 was 1.27%, compared with the 1.32% of June 2015 and 1.50% of December 2014.

Bank lending continued to reflect low levels of demand as a result of limited growth in investment. Despite this, the latter months of the period under review witnessed a definite improvement in lending, with August registering year-on-year growth. Gross non-performing loans reported by the banking system are up on the levels seen in 2014 at approximately €197 billion in July 2015, marking an increase of €1.3 billion compared with June 2015 and a rise of approximately €25 billion year on year. As a percentage of total loans, in July 2015 non-performing loans stood at approximately 10.3% (the highest level since 1996). The average interest rate applied to consumer and corporate loans has continued to fall, with the rate standing at 3.36% in August 2015, compared with the 3.43% of June 2015 and the 3.65% of December 2014.

THE REGULATORY ENVIRONMENT

On 27 May 2014 the Bank of Italy issued a new version of Circular 285 of 17 December 2013, revising the Supervisory Standards applicable to BancoPosta and extending the prudential requirements already applicable to banks, with certain specific adjustments, to BancoPosta RFC, including those regarding risk containment, corporate governance and internal controls.

In view of the progressive entry into effect of the Supervisory Standards, which will for the most part be applied by the end of 2015, Poste Italiane has wasted no time in taking a series of steps designed to bring its governance and internal control systems into line and a review of its financial structure.

² Anima Holding SpA is an independent asset manager, with approximately €60 billion in assets under management at the end of 2014, and provides strategic guidance and coordination for the group of the same name, one of Italy's leading asset managers.

In particular, BancoPosta's Risk Management function constantly monitors capital adequacy in order to ensure present and future compliance with the Pillar 1 and 2 capital requirements established by Basel III, and the stability of the leverage ratio. These requirements are already in force and have been complied with by BancoPosta since the end of 2014. Compliance with the requirements is the subject of reports to the Bank of Italy, self-assessment (Internal Capital Adequacy Assessment Process), audit by the Bank of Italy (Supervisory Review and Evaluation Process) and public disclosure. Governance systems have been brought into line with the requirements introduced by the new Standards by revising Poste Italiane's By-laws and Regulations, as approved by the General Meeting of 31 July 2015 following receipt of the Bank of Italy's observations in accordance with art. 56 of the Consolidated Law on Banking. Two new members of the Board of Directors have been elected and Board committees have been set up to oversee matters relating to audit and risk management, nominations and remuneration.

In keeping with the requirements in the Standards, guidelines governing the conduct of transactions with related parties and their associates have been approved (these were already applied by BancoPosta), as have policies governing remuneration and incentives. The regulations and contracts governing the contracting out of operating activities and controls to Poste Italiane functions by BancoPosta have also been brought into line with the new regulatory requirements.

The most important initiatives needed in order to comply with the new Standards (the so-called core initiatives) have thus been implemented and a plan has been drawn up with a view to completing the process of bringing the organisational structure and the internal control system into line by the end of 2015. Work on the IT and business continuity systems will continue into the coming years.

In addition, on 15 July 2015 the Bank of Italy issued a Resolution amending the Resolution of 29 July 2009, containing rules on the "*Transparency of banking and financial transactions and services. Fairness in relations between intermediaries and customers*". The aim is to simplify the information documents provided to customers and clarify the existing regulations.

The main impact of the revised regulations, which are effective from 1 October 2015, relate to:

- the revision of information leaflets (for current accounts and loans) and of documents in line with the Standard European Consumer Credit Information;
- revision of periodic summaries of current account terms and conditions sent to customers and of bank statements;
- simplification of the procedures involved in concluding contracts over the internet or by phone;
- the obligation to set up a certified email account for the receipt of customer complaints;
- changes to sales procedures to ensure that customers intending to open or change an account are always offered the basic form of account.

The necessary amendments to the related documents and procedures have either been completed or planned.

BANCOPOSTA RFC'S RISK MANAGEMENT SYSTEM

During the first nine months of 2015, BancoPosta's Risk Management function proceeded with the process of complying with the new Supervisory Standards issued by the Bank of Italy on 27 May 2014, with particular regard to prudential supervisory regulations (in force from 31 December 2014).

In particular:

- a new ICAAP report was prepared, (the first to be prepared on a mandatory basis), setting out the process followed to assess BancoPosta RFC's capital adequacy in relation to the range of significant risks identified.

Following approval by the Board of Directors on 28 April 2015, the report was submitted to the Bank of Italy;

- the first public disclosure on risk in accordance with Pillar 3 of Basel III, as at 31 December 2014, was published on Poste Italiane's website together with publication of the 2014 Annual Report and financial statements;
- a new quarterly report (the "Tableau de Bord"), prepared as at 31 March 2015, was presented to the Board of Directors on 27 May 2015; these quarterly reports cover monitoring of the metrics included in the Risk Appetite Framework (which has been adjusted in line with the revised Business Plan).

In terms of the evolution of significant risks, the period can be divided into three separate phases:

- the first quarter was marked by a reduction in the yields on Italian government securities, resulting in a further increase in fair value gains, partly recognised in profit or loss;
- after the effective launch of the ECB's programme of Quantitative Easing, the second quarter witnessed an increase in risk-free rates and in the spread between 10-year Treasury Notes (BTPs) and German Bunds, due partly to tensions in the euro zone caused by the Greek financial crisis;
- the third quarter saw further falls in the yields on Italian government securities and in the BTP-Bund spread, benefitting the value of government securities in the available-for-sale portfolio.

The changing combination of market trends with the performance of deposits and investments means that exposure to interest rate risk in the banking book remains, however, consistent with the risk appetite framework, in terms of the impact on capital adequacy.

The Basel III leverage ratio, which was sufficiently above the required threshold of 3% following the appropriation of a portion of the profit for 2014 to retained earnings, has remained within the limits set by the Company's risk appetite framework.

INTERNAL CONTROL SYSTEM

In line with the Company's new strategic and operating model, on 10 July 2015, Poste Italiane SpA's Board of Directors decided to adopt Guidelines for an integrated Internal Control and Risk Management System (also "SCIGR"), drawn up in accordance with the self-assessment requirements for listed companies and the supervisory standards applicable to BancoPosta's operations. These Guidelines apply to Poste Italiane and all its direct and indirect subsidiaries.

The SCIGR is a key part of Poste Italiane SpA's corporate governance system, as it enables the Board of Directors to ensure the creation of value over the medium to long term, establishing the nature and level of risk compatible with the Company's strategic objectives, whilst safeguarding the Company's assets and those of BancoPosta RFC and ensuring the efficiency and effectiveness of business processes, the reliability of financial reporting, legal and regulatory compliance, and compliance with the By-laws and internal regulations.

In particular, the SCIGR guidelines cover:

- the related principles and framework;
- the structure of the internal control and risk management system;
- the roles and responsibilities of the staff and departments involved in implementing Poste Italiane SpA's SCIGR;
- implementation of the SCIGR within subsidiaries;
- the procedures by which the different control functions coordinate and collaborate;

- the flow of information between the various functions/corporate bodies and between them and the different bodies.

In line with the related regulations and best practice, the SCIGR is divided into three levels of control:

- First-level controls: consisting of all the process controls carried out by individual operating units in order to ensure the correct conduct of operations primarily the responsibility of operating managers and considered an integral part of each business process.
- Second-level controls: entailing the monitoring of corporate risks, the proposal of guidelines for the related control systems and checks on their adequacy in order to ensure the efficiency and effectiveness of transactions, adequate risk controls, the prudent conduct of business, the reliability of reporting and compliance with the relevant laws, regulations and internal procedures. The functions with responsibility for these controls are autonomous, independent and separate from operating units; they conform to the Company's risk governance policies and risk management processes.
- Third-level controls: providing independent assurance of the adequacy and operational effectiveness of the first- and second-level controls and, in general, of the SCIGR. These controls aim to assess completeness, adequacy, functionality and reliability in terms of the efficiency and effectiveness of the internal control system and to identify any violations of the procedures and regulations applicable to Poste Italiane.

7.1.3 INSURANCE SERVICES

Segment profit or loss – Insurance Services

| | For the nine months ended 30 September | | | |
|---|--|---------------|---------------------|--------------|
| (€m) | 2015 | 2014 | Increase/(decrease) | |
| Premium revenue | 14,543 | 12,740 | 1,803 | 14.2% |
| Other income from insurance activities | 2,387 | 2,646 | (259) | -9.8% |
| Total external revenue | 16,930 | 15,386 | 1,544 | 10.0% |
| Intersegment revenue | - | 1 | (1) | n/s |
| Total revenue | 16,930 | 15,387 | 1,543 | 10.0% |
| Cost of goods and services | 34 | 29 | 5 | 17.2% |
| Net change in technical provisions for insurance business and other claim | 15,475 | 14,641 | 834 | 5.7% |
| Other expenses from insurance activities | 675 | 60 | 615 | n/s |
| Personnel expenses | 19 | 17 | 2 | 11.8% |
| Depreciation, amortisation and impairments | 7 | 5 | 2 | 40.0% |
| Other operating costs | 7 | 7 | - | n/s |
| Intersegment costs | 362 | 318 | 44 | 13.8% |
| Total costs | 16,579 | 15,077 | 1,502 | 10.0% |
| Operating profit/(loss) (EBIT) | 351 | 310 | 41 | 13.2% |

n/s: not significant

The Insurance Services segment reports operating profit of €351 million, marking an increase of €41 million compared with the first nine months of 2014. This significant result is primarily due to the positive operating performance of the Poste Vita insurance group, whose sales of primarily Class I and V investment and savings products has resulted in total premium revenue of €14.5 billion, after the portion ceded to reinsurers (€12.7 billion in premium revenue in the first nine months of 2014). These positive results, achieved against a backdrop of general uncertainty and heightened financial market volatility, are partially offset by an increase in other expenses from insurance activities (up €615 million compared with the same period of the previous year). This in part reflects the recognition of unrealised losses on financial assets designated at fair value through profit or loss, which, in any event, regard securities backing insurance liabilities and thus reflected in the matching change in technical provisions.

The above-mentioned financial market trends, marked by heightened volatility, are also reflected in a reduction in other income from financial and insurance activities, which is down from €2,646 million in the first nine months of 2014 to €2,387 million in 2015.

As a result of the above operating and financial performance, the change in technical provisions amounts to €10.1 billion (€10.7 billion in 2014).

In continuation of strategic objectives pursued in previous years, in the first nine months of 2015 the Poste Vita Insurance Group primarily focused its efforts on:

- consolidating and strengthening Poste Vita's position in the life insurance and pensions market, with a particular focus on the supplementary pension segment and new emerging needs (primarily welfare and longevity);

- growing the non-life insurance business, with a view to positioning the subsidiary, Poste Assicura, as a leading player in this market, partly by expanding the subsidiary's offerings.

Thanks partly to a constant focus on products, stepping up support to the distribution network and growing customer loyalty, the company's efforts concentrated almost exclusively on the offer of Class I and V investment and savings products (traditional separately managed accounts). However, in a market where products with a significant investment component are proving the most popular ("multi-line" and "unit-linked" products), the company diversified its offering with the introduction of a new "multi-line" product, sales of which are still marginal, but which is expected to make a growing contribution to overall inflows in the future. Sales of regular premium products performed well (with over 135 thousand policies sold since the beginning of the year), as did sales of the PostaPrevidenzaValore product which, with the total number of members amounting to 770 thousand (711 thousand at the end of 2014), enabling the Company to consolidate its role in the pensions market.

While the contribution of the non-life business to the Group's results is still limited, Poste Assicura recorded a positive performance, with gross premium revenue for the period of €70.6 million, up by approximately €12.5 million (21.5%) on the figure for the first nine months of 2014. After the portion ceded to reinsurers, premium revenue for the period is in excess of €50 million, up more than €10 million on the same period of 2014.

During the first nine months of 2015, the company focused on the development of specific marketing and commercial initiatives aimed at product offering increasingly based on a modular approach, capable of meeting the different needs of a very large customer base. In this context, Poste Assicura has created new property, asset protection and personal protection products for the retail segment (*Posteprotezione Innova Infortuni*, *Posteprotezione Innova Casa*, *Posteprotezione Innova Salute*). In the corporate segment, the company held talks with a number of utilities with a view to offering a home care insurance package to their electricity and/or gas customers. From 1 July 2015, Poste Assicura has entered into a collective contract with GDF Suez to offer home care insurance to its customers.

In terms of investments, during the period the insurance group continued to pursue a strategy for separately managed accounts designed to increasingly match investments to insurance obligations and, at the same time, run a portfolio that can provide stable returns in line with the market. With ongoing uncertainty regarding the Italian and international economy, the investment policy continues to be marked by the utmost prudence, with the portfolio primarily invested in Italian government securities and highly-rated corporate bonds. Furthermore, the Company continued with the process of diversifying investments, begun in the second half of 2014, through investment in multi-asset, harmonised open-end funds of the UCITS (Undertakings for Collective Investment in Transferable Securities) type, whilst maintaining a moderate risk appetite.

With regard to organisational aspects, during 2015 the group has continued to expand and develop the quality of its workforce, in step with its growing size and the increase in business. This has enabled it to follow up on the large number of projects in pursuit of growth and achieve continuing functional/infrastructural improvements in key business support systems.

In particular, all the activities designed to ensure compliance with the Solvency II regulations, due to come into effect in 2016, continued. This includes adaptation of the Company's governance model and organisational and operating structure, with a view to strengthening decision-making processes and optimising risk management procedures, in order to increase and safeguard value creation. In this regard, on 3 June and 15 July, the initial regulatory reports required under interim measures were submitted to IVASS

(the insurance industry regulator) within the established deadline. During the third quarter of the year, significant steps were taken to strengthen the group's workforce, including through the recruitment of key personnel.

Finally, given the strategic objective of broadening the group's offering of health insurance for individuals and groups of people, on 4 November 2015 Poste Vita SpA completed the acquisition of a 100% interest in S.D.S. System Data Software Srl, which in turn owns a 100% interest in S.D.S. Nuova Sanità Srl. The SDS group provides services and manages claims on behalf of, among others, private health funds that offer private health cover (above all the Fasi and Faschim funds). The group also designs, develops and maintains management software and provides IT services for businesses. The acquisition had previously received clearance from the regulator.

THE INSURANCE MARKET

The **life insurance market** has continued to see strong growth in 2015, with new business registering growth in excess of 20%, even more impressive given that 2014 was a record year in terms of premium revenue. In terms of new policy sales, growth was less significant at under 8%, reflecting the fact that a large proportion of the rise in premium revenue was accounted for by single premium policies.

Whilst representing a limited proportion of premium revenue (just 1.5%), classic insurance products (pure risk and pension plans) account for almost 25% of new business in 2015.

According to quarterly figures from ANIA (Italy's National Association of Insurance Companies) for direct premiums written in the **non-life sector**, in the second quarter of 2015, total premium revenue (Italian and overseas insurance companies) for direct written premiums in Italy amounted to approximately €18.4 billion, marking a reduction of 1.8% compared with the second quarter of 2014. This reflects a significant reduction in vehicle insurance (down 5.9%), only partially offset by modest growth in premiums in other non-life classes (up 2.6%).

As at August 2015, new business is up 9.3% year on year, with annual premiums having risen 49.5%, single premium policies up 8.6% and regular premium products up 19.3%.

7.1.4 OTHER SERVICES

Segment profit or loss – Other Services

| | For the nine months ended 30 September | | | |
|--|---|------------|---------------------|--------------|
| (€m) | 2015 | 2014 | Increase/(decrease) | |
| Revenue from sales and services | 179 | 178 | 1 | 0.6% |
| Other operating income | 2 | 2 | - | n/s |
| Total external revenue | 181 | 180 | 1 | 0.6% |
| Intersegment revenue | 69 | 63 | 6 | 9.5% |
| Total revenue | 250 | 243 | 7 | 2.9% |
| Cost of goods and services | 158 | 163 | (5) | -3.1% |
| Personnel expenses | 16 | 18 | (2) | -11.1% |
| Depreciation, amortisation and impairments | 28 | 35 | (7) | -20.0% |
| Capitalised costs and expenses | - | (1) | 1 | n/s |
| Other operating costs | 5 | 1 | 4 | n/s |
| Intersegment costs | 14 | 15 | (1) | -6.7% |
| Total costs | 221 | 231 | (10) | -4.3% |
| Operating profit/(loss) (EBIT) | 29 | 12 | 17 | n/s |

n/s: not significant

The Other Services segment, which includes **PosteMobile**, reports operating profit of €29 million for the first nine months of 2015, marking an increase of €17 million compared with the same period of the previous year. The performance of the mobile telecommunications business benefitted from growth in the customer base, which at 30 September 2015 consists of 3.6 million lines, and good performances for voice and data.

Overall, total revenue is up 2.9% to €250 million, driven by an increase in revenue generated by the flat-rate offering, reflecting the gradual repositioning of offerings in this segment.

In spite of the increase in turnover, service costs are down 3.1% from the €163 million of 2014 to €158 million in the first nine months of 2015

THE MOBILE TELECOMMUNICATIONS MARKET

The mobile telecommunications market reports negative year-on-year growth in revenue, although the trend is improving with respect to previous quarters.

Overall, all the major operators have witnessed an across-the-board decline in traditional service revenue, which has not been fully offset by a significant increase in revenue from value added services and above all from data, which is heavily dependent on the rollout and rapid expansion of the 4G LTE network.

An overview of the market shows that operators have restructured their offerings, with the focus placed on fixed-mobile convergence and the provision of content and services, designed to support offerings based on network quality and speed (4G, LTE-Advanced).

In the business market, operators are looking to play a leading role in the digital transformation of Italian companies across all sectors, including Public Sector entities.

8. GROUP FINANCIAL POSITION AND CASH FLOW

Net invested capital and related funding

| (€m) | at 30 September 2015 | at 31 December 2014 | Increase/(decrease) | |
|--|-------------------------|------------------------|---------------------|---------------|
| Non-current assets: | | | | |
| Property, plant and equipment | 2,146 | 2,296 | (150) | -6.5% |
| Investment property | 62 | 67 | (5) | -7.5% |
| Intangible assets | 486 | 529 | (43) | -8.1% |
| Investments accounted for using the equity method | 212 | 1 | 211 | n/s |
| Total non-current assets (a) | 2,906 | 2,893 | 13 | 0.4% |
| Working capital: | | | | |
| Inventories | 140 | 139 | 1 | 0.7% |
| Trade receivables and other receivables and assets | 6,548 | 7,247 | (699) | -9.6% |
| Trade payables and other liabilities | (4,040) | (4,080) | 40 | -1.0% |
| Current tax assets and liabilities | 351 | 635 | (284) | -44.7% |
| Total working capital: (b) | 2,999 | 3,941 | (942) | -23.9% |
| Gross invested capital (a+b) | 5,905 | 6,834 | (929) | -13.6% |
| Provisions for risks and charges | (1,210) | (1,334) | 124 | -9.3% |
| Provisions for employee termination benefits and pension plans | (1,364) | (1,478) | 114 | -7.7% |
| Deferred tax assets/(liabilities) | (500) | (345) | (155) | 44.9% |
| Net invested capital | 2,831 | 3,677 | (846) | -23.0% |
| Equity | 9,137 | 8,418 | 719 | 8.5% |
| Net funds | 6,306 | 4,741 | 1,565 | 33.0% |

n/s: not significant

The Poste Italiane Group's **net invested capital** at 30 September 2015 amounts to €2,831 million (€3,677 million at 31 December 2014), for the most part financed by equity.

Non-current assets of €2,906 million are up €13 million compared with the end of 2014. The movement in this indicator in the first nine months of 2015 reflects the parent Company's acquisition of a 10.32% interest in Anima Holding SpA from Monte Paschi Siena SpA (BMPS) on 25 June 2015. The total consideration of €210.5 million represents a price of €6.8 per share, broadly in line with the average market price of the shares, which are listed on the Milan Stock Exchange, in the month prior to conclusion of the agreement between Poste Italiane and BMPS in April 2015. Further movements in non-current assets reflect capital expenditure of €229 million, including €182 million relating to the Parent Company's investments in IT assets and telecommunications networks, in the modernisation and upgrade of properties and in postal logistics. Depreciation, amortisation and impairments (after reversals of impairments) of *property, plant and equipment, intangible assets* and *investment property* during the period amounts to €425 million..

Working capital amounts to €2,999 million at 30 September 2015, marking a decline of €942 million compared with the end of 2014. In addition to the collection of fees receivable in return for the Parent Company's distribution of postal savings products on behalf of Cassa Depositi e Prestiti, which under the agreement signed on 4 December 2014 are now invoiced on a quarterly, rather than a half-yearly, basis, the change also reflects the collection of €535 million, in May 2015, of amounts due from the Parent Company's shareholder (the MEF). This sum was receivable, in accordance with art. 1, paragraph 281 of the 2015 Stability Law, in relation to the return of amounts deducted from the Parent Company's retained earnings in

2008 and transferred to the MEF, pursuant to European Commission Decision C42/2006. Further details on this are provided in the section 12, "Other information".

Working capital also includes €247 million in the nominal amount due as Universal Service compensation for the first nine months of 2015. The total for these receivables, before provisions for doubtful debts, at 30 September 2015 amounts to €1,334 million and also includes amounts accruing in previous years, as described in detail in the section "Use of estimates". In relation to these receivables, on 18 September 2015, the MEF provided for the sum of €1,082 million to be deposited in a non-interest bearing escrow account in Poste Italiane's name at the Italian Treasury. This amount cannot be used until approval of the Service Contract for the period 2015-2019 has been received from the European Commission. The sum was deposited in the account on 15 October 2015.

Equity amounts to €9,137 million at 30 September 2015, marking an increase of €719 million compared with 31 December 2014. The increase primarily reflects profit for the period (€622 million) and movements in the fair value reserves net of tax (€320 million), as a result of positive and/or negative movements in the value of investments in securities held by BancoPosta RFC and Poste Vita SpA. These increases in equity were partially offset by the Parent Company's payment of dividends to the shareholder (the MEF), totalling €250 million.

ANALYSIS OF NET FUNDS/(DEBT)

Group net funds/(debt) by operating segment

(€m)

| Balance at 30 September 2015 | Postal and Business Services | Financial Services | Insurance Services | Other Services | Eliminations | Consolidated amounts |
|---|------------------------------|--------------------|--------------------|----------------|----------------|----------------------|
| Financial liabilities | (3,054) | (52,197) | (1,209) | (4) | 2,038 | (54,426) |
| Postal current accounts | - | (40,694) | - | - | 285 | (40,409) |
| Bonds | (805) | (479) | (752) | - | - | (2,036) |
| Borrowings from financial institutions | (1,143) | (6,053) | - | - | - | (7,196) |
| Other borrowings | (4) | - | - | - | - | (4) |
| Finance leases | (6) | - | - | (4) | - | (10) |
| Derivative financial instruments | (51) | (1,617) | - | - | - | (1,668) |
| Other financial liabilities | (14) | (3,085) | (4) | - | - | (3,103) |
| Intersegment financial liabilities | (1,031) | (269) | (453) | - | 1,753 | - |
| Technical provisions for insurance business | - | - | (97,549) | - | - | (97,549) |
| Financial assets | 1,435 | 54,019 | 99,969 | 51 | (1,753) | 153,721 |
| Loans and receivables | 139 | 9,330 | 145 | - | - | 9,614 |
| Held-to-maturity financial assets | - | 12,786 | - | - | - | 12,786 |
| Available-for-sale financial assets | 575 | 30,628 | 81,456 | - | - | 112,659 |
| Financial assets at fair value through profit or loss | - | - | 18,059 | - | - | 18,059 |
| Derivative financial instruments | - | 404 | 199 | - | - | 603 |
| Intersegment financial assets | 721 | 871 | 110 | 51 | (1,753) | - |
| Technical provisions for claims attributable to reinsurers | - | - | 65 | - | - | 65 |
| Net financial assets/(liabilities) | (1,619) | 1,822 | 1,276 | 47 | 285 | 1,811 |
| Cash and deposits attributable to BancoPosta | - | 2,639 | - | - | - | 2,639 |
| Cash and cash equivalents | 250 | 802 | 1,079 | 10 | (285) | 1,856 |
| Net funds/(debt) | (1,369) | 5,263 | 2,355 | 57 | - | 6,306 |

(€m)

| Balance at 31 December 2014 | Postal and Business Services | Financial Services | Insurance Services | Other Services | Eliminations | Consolidated amounts |
|---|------------------------------|--------------------|--------------------|----------------|----------------|----------------------|
| Financial liabilities | (3,434) | (52,529) | (1,305) | (6) | 1,915 | (55,359) |
| Postal current accounts | - | (40,927) | - | - | 312 | (40,615) |
| Bonds | (809) | (479) | (757) | - | - | (2,045) |
| Borrowings from financial institutions | (1,751) | (6,660) | - | - | - | (8,411) |
| Other borrowings | (3) | - | - | - | - | (3) |
| Finance leases | (8) | - | - | (6) | - | (14) |
| Derivative financial instruments | (58) | (1,721) | - | - | - | (1,779) |
| Other financial liabilities | (15) | (2,474) | (3) | - | - | (2,492) |
| Intersegment financial liabilities | (790) | (268) | (545) | - | 1,603 | - |
| Technical provisions for insurance business | - | - | (87,220) | - | - | (87,220) |
| Financial assets | 1,648 | 52,521 | 90,102 | 21 | (1,603) | 142,689 |
| Loans and receivables | 256 | 8,618 | 23 | - | - | 8,897 |
| Held-to-maturity financial assets | - | 14,100 | - | - | - | 14,100 |
| Available-for-sale financial assets | 581 | 29,553 | 77,013 | - | - | 107,147 |
| Financial assets at fair value through profit or loss | - | - | 12,155 | - | - | 12,155 |
| Derivative financial instruments | - | 182 | 208 | - | - | 390 |
| Intersegment financial assets | 811 | 68 | 703 | 21 | (1,603) | - |
| Technical provisions for claims attributable to reinsurers | - | - | 54 | - | - | 54 |
| Net financial assets/(liabilities) | (1,786) | (8) | 1,631 | 15 | 312 | 164 |
| Cash and deposits attributable to BancoPosta | - | 2,873 | - | - | - | 2,873 |
| Cash and cash equivalents | 305 | 1,040 | 656 | 15 | (312) | 1,704 |
| Net funds/(debt) | (1,481) | 3,905 | 2,287 | 30 | - | 4,741 |

Industrial net funds/(debt)

| (€m) | at 30 September 2015 | at 31 December 2014 |
|---|-------------------------|------------------------|
| A. Cash | 3 | 3 |
| B. Other cash equivalents | 257 | 317 |
| C. Securities held for trading | - | - |
| D. Liquidity (A+B+C) | 260 | 320 |
| E. Current loans and receivables | 162 | 183 |
| F. Current bank borrowings | (743) | (1,351) |
| G. Current portion of non-current debt | (8) | (13) |
| H. Other current financial liabilities | (20) | (24) |
| I. Current financial liabilities (F+G+H) | (771) | (1,388) |
| J. Current net debt (I+E+D) | (349) | (885) |
| K. Non-current bank borrowings | (400) | (400) |
| L. Bond issues | (797) | (796) |
| M. Other non-current liabilities | (59) | (66) |
| N. Non-current net debt (K+L+M) | (1,256) | (1,262) |
| O. Industrial net debt (ESMA guidelines) (J+N) | (1,605) | (2,147) |
| Non-current financial assets | 552 | 654 |
| Industrial net debt | (1,053) | (1,493) |
| Intersegment loans and receivables | 721 | 811 |
| Intersegment financial liabilities | (980) | (769) |
| Industrial net debt (before adjusting for intersegment transactions) | (1,312) | (1,451) |
| <i>of which:</i> | | |
| - <i>Postal and Business Services</i> | (1,369) | (1,481) |
| - <i>Other</i> | 57 | 30 |

LIQUIDITY

| (€m) | For the nine months ended 30 September 2015 | For the nine months ended 30 September 2014 |
|---|---|---|
| Cash and cash equivalents at beginning of period | 1,704 | 1,445 |
| Cash flow from/(for) operating activities | 793 | 1,184 |
| Cash flow from/(for) investing activities | (432) | (95) |
| Cash flow from/(for) financing activities and shareholder transactions | (209) | (134) |
| Movement in cash | 152 | 955 |
| Cash and cash equivalents at end of period | 1,856 | 2,400 |
| <i>of which:</i> | | |
| <i>Cash subject to investment restrictions</i> | 315 | 302 |
| <i>Cash attributable to technical provisions for insurance business</i> | 939 | 1,093 |
| <i>Other cash subject to restrictions</i> | 25 | 34 |

Operating activities generated a cash inflow of €793 million as a result of, among other things, profit for the period and the positive movement in working capital (up €387 million).

The cash generated was used to fund the acquisition of a 10.32% interest (€210 million) in Anima Holding SpA, to finance capital expenditure which, after disposals, resulted in an outflow of €228 million, and to pay down short-term borrowings of approximately €600 million.

Cash and cash equivalents is up €152 million, after the payment of dividends of €250 million and the collection of €535 million from the MEF as a result of the return of amounts deducted from the Parent Company's retained earnings in 2008 and transferred to the MEF, pursuant to European Commission Decision C42/2006.

Net funds amount to €6,306 million at 30 September 2015, marking a significant improvement on the figure for 31 December 2014 (when net funds totalled €4,741 million). This reflects, among other things, the component linked to fair value measurement of investments in securities, primarily by BancoPosta RFC, and, to a lesser extent, by the subsidiary, Poste Vita, amounting to approximately €3,120 million.

9. OUTLOOK

Having successfully completed the Initial Public Offering, the Group is continuing to focus on achieving its strategic objectives, confident in the knowledge that the operating performance in 2015 has begun to clearly show the benefits of the restructuring initiatives undertaken during the year. These initiatives will include the identification of extraordinary measures designed to obtain further cost savings, the operational planning for which will be finalised in the last quarter of 2015. In this regard, as in previous years, Poste Italiane will assess the need to make provisions in order to support the current transformation process. Furthermore, based also on the performance registered in the first nine months of the year, active management of the portfolio of government bonds is expected to result in lower realised gains compared with those realised on average in previous quarters. Given the above and based on the current operating performance, we expect the results for 2015 to be a significant improvement on those for 2014.

10. CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

10.1 INTRODUCTION

Poste Italiane SpA (the “Parent Company”) is the company formed following conversion of the former public sector entity, “Poste Italiane”, under Resolution 244 of 18 December 1997 passed by the Inter-ministerial Economic Planning Committee. The Parent Company’s registered office is at Viale Europa 190, Rome (Italy). At 30 September 2015, the reporting date to which this document refers, the Company was a wholly owned subsidiary of the Ministry of the Economy and Finance (the “MEF”). On 8 October 2015, Borsa Italiana admitted Poste Italiane’s shares to trading on its *Mercato Telematico Azionario* (the *MTA*, an electronic stock exchange) and, on 9 October 2015, following the CONSOB’s announcement of its approval (protocol no. 0078593/15), the Company published the related Prospectus. The shares began trading on the MTA on 27 October 2015.

This section, which forms part of the interim report for the nine months ended 30 September 2015, has not been audited. It has been prepared in euros, the currency of the economy in which the Group operates. It consists of the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the condensed statement of cash flows and selected explanatory notes. All amounts in the financial statements and the notes are shown in millions of euros, unless otherwise stated.

The Poste Italiane Group has prepared this document in compliance with the recognition and measurement criteria and classifications required by the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), and endorsed by the European Union (“EU”) in EC Regulation 1606/2002 of 19 July 2002. The term IFRS includes all the International Financial Reporting Standards, International Accounting Standards (“IAS”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”, previously known as the Standing Interpretations Committee or “SIC”), adopted by the European Union and contained in the EU regulations published as of 9 November 2015, the date on which the Board of Directors of Poste Italiane SpA approved the interim report for the nine months ended 30 September 2015.

10.2 BASIS OF PREPARATION

Basis of presentation and significant accounting policies

The content of this section provides less information than the complete set of annual financial statements, as it is intended to provide an update on new activities, events and circumstances arising during the reporting period, if material. The section also provides the minimum disclosures necessary in order to report on matters or line items in the financial statements that, regardless of the effective movement that has taken place, are deemed to be unusual due their nature, entity or impact on assets, liabilities, equity, profit for the period or cash flows. This approach allows management to omit or condense (including through aggregation) the information, data and notes previously presented and explained in detail in the Poste Italiane Group’s consolidated financial statements for the year ended 31 December 2014, to which reference should be made for full details. The description of the aggregated amounts presented in this section includes an indication of

the line items included, thus enabling the reader to identify the items and compare amounts in the financial statements for the nine months ended 30 September 2015 and in those for previous reporting periods.

The recognition and measurement criteria and classifications used are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2014, with the exception of the classification of changes in accounting estimates in the statement of profit or loss³ which, from 1 January 2015, are recognised in terms of their nature and no longer classified in “Other operating income “ or “Other operating costs”.

The following accounting standards, interpretations and amendments apply as of 1 January 2015. The introduction of these standards has not any impact with respect to 31 December 2014.

- **IFRIC 21 - Levies**, adopted with (EU) Regulation 634/2014. The interpretation provides guidance on how to account for a liability for a levy imposed by a government, when the liability is to be accounted for in accordance with IAS 37.
- **Annual Improvement Cycle to IFRSs 2011 - 2013** adopted with Regulation (EU) no. 1361/2014 in connection with the annual projects to improve international accounting standards.

Use of estimates

Preparation of the consolidated interim report for the nine months ended 30 September 2015 requires management to make more extensive use of estimates compared with the annual financial statements. However, there have been no changes with respect to the Poste Italiane Group’s consolidated financial statements for the year ended 31 December 2014 in terms of either the type of estimates made or the methods of calculation and measurement adopted.

This section makes brief reference to those consistently adopted accounting estimates that, in view of developments during the reporting period, require an update.

Revenue and receivables due from the State

The Group reports significant receivables due from the Public Sector entities. Revenue from activities carried out in favour of or on behalf of the State and Public Sector entities is recognised on the basis of the amount effectively accrued, with reference to the laws and agreements in force, taking account, in any event, of the instructions contained in legislation regarding the public finances. In past years, changes to relevant legislation have been introduced after the end of the reporting period, resulting in changes to estimates and influencing profit or loss. The complex process of determining the amounts due, which is still in progress, means that management cannot exclude the possibility that, as a result of future legislation or following the negotiation of contracts that have expired or are in the process of being renewed, the profit for reporting periods after the period ended 30 September 2015 will reflect changes to these estimates.

At 30 September 2015, amounts receivable by the Poste Italiane Group from central and local government entities total approximately €2.9 billion, before provisions for doubtful debts. The main items have been identified during discussions with the MEF’s Treasury Department and General Accounting Office, which

³ In accordance with the definition in IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*, a change in accounting estimate is “an adjustment of the carrying amount of an asset or a liability (...) that results from the assessment of the present status of, and expected future benefits and obligations associated with, assets and liabilities. Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors” (IAS 8, paragraph 5). Accounting for such changes in accounting estimates in terms of their nature in the same accounts in which the estimates were reported in previous periods has become possible following improvements in accounting systems (see IAS 8, paragraph 50).

were concluded in August 2015. On 7 August 2015, the Minister of the Economy and Finance committed *“the Ministry to complete all the procedures necessary in order to pay the amounts due in accordance with procedures and timing consistent with the current privatisation process, including provision of the necessary funding”* and sent the Parent Company a letter signed by the Director General of the Treasury Department and General Accounting Office referring to the items described below.

| | | Receivables at 30 September 2015 | | | Receivables at 31 |
|---|------|----------------------------------|------------------------|--------------|-------------------|
| | | referred to in MEF | not referred to in MEF | total | December 2014 |
| | | letter | letter | | |
| | | of 7 August 2015 | of 7 August 2015 | | |
| Universal Service compensation | (i) | 1,252 | 82 | 1,334 | 1,087 |
| Electoral subsidies | (ii) | 83 | - | 83 | 117 |
| Remuneration of current account deposits | | - | 7 | 7 | 72 |
| Delegated services | | - | 14 | 14 | 28 |
| Distribution of Euroconvertors | (ii) | 6 | - | 6 | 6 |
| Other | | - | 4 | 4 | 4 |
| Trade receivables due from the MEF | | 1,341 | 107 | 1,448 | 1,314 |
| Loans and receivables due from the MEF | | | | | |
| for repayment of loans accounted for in liabilities | | - | 3 | 3 | 117 |
| Amount due under 2015 Stability Law implementing EU Court sentence | | - | - | - | 535 |
| Equity: | | | | | |
| Amount due from MEF following cancellation of EC Decision of 16 July 2008 | (iv) | 45 | - | 45 | 42 |
| Total amounts due from the MEF | | 1,386 | 110 | 1,496 | 2,008 |
| Receivables due from Ministries and Public Sector entities: Cabinet Office for publisher tariff subsidies | (ii) | 103 | - | 103 | 103 |
| Receivables due from Ministries and Public Sector entities: Ministry for Econ. Dev. | (v) | 70 | 1 | 71 | 68 |
| Other trade receivables due from Public Sector entities | | - | 608 | 608 | 640 |
| Trade receivables due from Public Sector entities | | 173 | 609 | 782 | 811 |
| Other receivables and assets: | | | | | |
| Sundry receivables due from Public Sector entities | | - | 10 | 10 | 10 |
| Current tax assets: | | | | | |
| IRES refund due to non-deductibility of IRAP | (vi) | 481 | 127 | 608 | 610 |
| Total amounts due from the MEF and Public Sector entities | | 2,040 | 856 | 2,896 | 3,439 |

The impact of the letter, as regards receivables amounting to €2,040 million at 30 September 2015, can be summarised as follows:

- (i) receivables relating to Universal Service compensation recognised by the Parent Company through to 30 June 2015, totalling €1,252 million (including €170 million not yet funded in the state budget) before provisions for doubtful debts: the MEF has accepted the legitimacy of €1,222 million, whilst subjecting payment to confirmation of the regular provision of the universal postal service by the competent departments of the Ministry for Economic Development (this confirmation was provided in a letter from the Ministry on the same date), and finalisation of the Service Contract for the period 2015-2019 (effective from 1 January 2016), without prejudice to the results of AGCom’s assessment of the net costs incurred after 31 December 2012; the remaining amount of €30 million includes €22 million relating to the lower cost assessed by AGCom for 2012 and €8 million to the final reduction applied to compensation accruing in 2005;
- (ii) further trade receivables accounted for in the financial statements, totalling €192 million (including €83 million for electoral subsidies, €6 million for the distribution of euro convertors payable to the MEF and €103 million publisher tariff subsidies due from the Cabinet Office and included in amounts due from Ministries and Public Sector entities): the MEF has confirmed that provision has made for payment of €179 million and that payment of currently unfunded amounts, totalling €13 million, is subject to provision of the necessary funding in the state budget;
- (iii) with reference to the above amounts, the MEF has accepted the Parent Company’s request for the amount for which provision has already been made in the state budget, amounting to €1,159 million (including €1,082 million for Universal Service compensation – subsequently paid by the MEF on 15

October 2015 – and €77 million for electoral subsidies), to be transferred to a non-interest bearing current account in the Parent Company's name at the Italian Treasury, with the funds to be made available for use once approval of the state aid provided for in the Service Contract for the period 2015-2019 has been received from the European Commission⁴, without prejudice to any recalculation resulting from AGCom's previously mentioned assessment; the remainder of the total amount due will be collected after provision has been made in the state budget by the 2016 Stability Law or in the Interim Budget Law for 2016;

- (iv) with regard to the amount receivable following cancellation of the EC Decision of 16 July 2008, relating to interest due as a result of the sentence of the European Court of 30 September 2013, the impact of which on the Parent Company's equity at 30 September 2015 has been deferred or adjusted: the MEF's acceptance of the legitimacy of approximately €6 million, currently not funded in the state budget, compared with a total request of €45 million reflects the different method of calculating the interest due used by the debtor;
- (v) with regard to receivables due to the Parent Company from Ministries and Public Sector entities, specifically: the Ministry for Economic Development's agreement to pay approximately €50 million, out of total receivables of approximately €70 million, under a settlement that is subject to an opinion from the State Attorney's Office;
- (vi) with regard to the refund of direct taxes and the related interest, amounting to €608 million at 30 September 2015 (including €598 million due to the Parent Company): on 6 August 2015, the tax authorities notified the Company that principal of €481 million, refundable to Poste Italiane SpA, may be paid in the current year, subject to funding in the state budget. The total receivable is the result of claims for rebates filed in accordance with art. 6 of Law Decree 185 of 29 November 2008 and art. 2 of Law Decree 201 of 6 December 2011, which permit companies to partially deduct IRAP paid from the IRES tax base, even for previous years of assessment not yet covered, at the date of entry into effect of this legislation, by the related statute of limitations.

The receivables of €856 million at 30 September 2015 not covered by the letter, as shown in the above table, regard:

- €110 million due from the MEF, including €82 million as universal postal service compensation for the third quarter of 2015 (of which €17 million has yet to be funded in the state budget) and €28 million in other amounts already funded in the state budget;
- €609 million, being a portion of the balance of €782 million due from central and local government entities; in general, the collection of the receivables in question is delayed primarily due to the fact that provision has not been made in the budgets of the relevant public entities or because the related contracts or agreements have not been finalised; in this regard, appropriate steps are being taken with a view to renewing the agreements that have expired and requesting that the necessary funding be set aside;
- €10 million in other receivables in the process of being recovered and which have been written off;
- €127 million, being a portion of the balance of €608 million due as a refund of direct taxes plus interest,

⁴ On 7 October 2015, the Italian delegation at the European Union received a "comfort letter" from the Directorate-General for Competition of the European Union stating that a favourable outcome for the state aid approval procedure was foreseeable, as the Directorate-General intended to propose that the appointed College of Commissioners should authorise the reported compensation.

including: (i) €31 million in IRES due to the non-deductibility of 10% of IRAP in accordance with Law Decree 185/2008, for which problems are not currently foreseen, (ii) €20 million in IRES arising from the deductibility of IRAP on personnel expenses from the IRES tax base under Law Decree 201/2011, which is being reviewed by the tax authorities, and (iii) €76 million in accrued interest on the total receivables due. The timing of payment of the latter two items is not known and further information from the tax authorities is awaited. Any elements of uncertainty or risk requiring the Parent Company's recalculation of these items will be reflected in future financial statements.

At 30 September 2015, the provisions for doubtful debts take into account the items for which provision has not been made in the state budget and a number of overdue receivables due from Public Sector entities. The final versions of regulatory provisions, contracts and procedures authorising payment of these items may result in the release of a portion of the provisions made to profit or loss, whilst new provisions and estimates may be rendered necessary.

10.3 CONSOLIDATED FINANCIAL STATEMENTS AT AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€m)

| ASSETS | Note | at 30 September 2015 | at 31 December 2014 |
|--|------|-------------------------|------------------------|
| Non-current assets | | | |
| Property, plant and equipment | [A1] | 2,146 | 2,296 |
| Investment property | [A1] | 62 | 67 |
| Intangible assets | [A1] | 486 | 529 |
| Investments accounted for using the equity method | [A2] | 212 | 1 |
| Financial assets | [A3] | 133,899 | 121,678 |
| Trade receivables | | 62 | 59 |
| Deferred tax assets | | 608 | 702 |
| Other receivables and assets | [A4] | 2,184 | 2,011 |
| Total | | 139,659 | 127,343 |
| Current assets | | | |
| Inventories | | 140 | 139 |
| Trade receivables | | 3,300 | 3,702 |
| Current tax assets | [C2] | 705 | 659 |
| Other receivables and assets | [A4] | 1,067 | 1,529 |
| Financial assets | [A3] | 19,822 | 21,011 |
| Cash and deposits attributable to BancoPosta | | 2,639 | 2,873 |
| Cash and cash equivalents | [A5] | 1,856 | 1,704 |
| Total | | 29,529 | 31,617 |
| TOTAL ASSETS | | 169,188 | 158,960 |
| LIABILITIES AND EQUITY | | | |
| Equity | | | |
| Share capital | | 1,306 | 1,306 |
| Reserves | [B1] | 3,448 | 3,160 |
| Retained earnings | | 4,383 | 3,952 |
| Equity attributable to owners of the Parent | | 9,137 | 8,418 |
| Equity attributable to non-controlling interests | | - | - |
| Total | | 9,137 | 8,418 |
| Non-current liabilities | | | |
| Technical provisions for insurance business | [B2] | 97,549 | 87,220 |
| Provisions for risks and charges | [B3] | 657 | 601 |
| Employee termination benefits and pension plans | | 1,364 | 1,478 |
| Financial liabilities | [B4] | 8,063 | 5,782 |
| Deferred tax liabilities | | 1,108 | 1,047 |
| Other liabilities | [B5] | 705 | 763 |
| Total | | 109,446 | 96,891 |
| Current liabilities | | | |
| Provisions for risks and charges | [B3] | 553 | 733 |
| Trade payables | | 1,318 | 1,422 |
| Current tax liabilities | [C2] | 354 | 24 |
| Other liabilities | [B5] | 2,017 | 1,895 |
| Financial liabilities | [B4] | 46,363 | 49,577 |
| Total | | 50,605 | 53,651 |
| TOTAL EQUITY AND LIABILITIES | | 169,188 | 158,960 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(€m)

| Third quarter 2015 | Third quarter 2014 | | Note | For the nine months ended 30 September 2015 | For the nine months ended 30 September 2014 |
|--------------------|--------------------|---|------|---|---|
| 2,108 | 2,166 | Revenue from sales and services | [C1] | 6,498 | 6,759 |
| 5,069 | 4,491 | Insurance premium revenue | [C1] | 14,543 | 12,740 |
| 773 | 922 | Other income from financial and insurance activities | | 2,828 | 2,985 |
| 21 | 23 | Other operating income | | 52 | 76 |
| 7,971 | 7,602 | Total revenue | | 23,921 | 22,560 |
| 631 | 652 | Cost of goods and services | [C2] | 1,864 | 1,930 |
| 5,090 | 5,057 | Net change in technical provisions for insurance business and other claims expenses | [C2] | 15,475 | 14,641 |
| 373 | 17 | Other expenses from financial and insurance activities | | 684 | 71 |
| 1,387 | 1,451 | Personnel expenses | [C2] | 4,370 | 4,482 |
| 136 | 150 | Depreciation, amortisation and impairments | | 425 | 492 |
| (9) | (6) | Capitalised costs and expenses | | (21) | (16) |
| 71 | 54 | Other operating costs | | 194 | 227 |
| 292 | 227 | Operating profit/(loss) | | 930 | 733 |
| 15 | 29 | Finance costs | | 76 | 158 |
| - | - | <i>of which, non-recurring costs</i> | | - | 75 |
| 29 | 33 | Finance income | | 117 | 174 |
| - | - | Profit/(Loss) on investments accounted for using the equity method | [A2] | - | (1) |
| 306 | 231 | Profit/(Loss) before tax | | 971 | 748 |
| 119 | 120 | Income tax expense | [C2] | 349 | 415 |
| - | - | <i>of which, non-recurring costs/(income)</i> | | (17) | - |
| 187 | 111 | PROFIT FOR THE PERIOD | | 622 | 333 |
| 187 | 111 | attributable to owners of the Parent | | 622 | 333 |
| - | - | attributable to non-controlling interests | | - | - |
| 0.143 | 0.085 | Earnings per share | | 0.476 | 0.255 |
| 0.143 | 0.085 | Diluted earnings per share | | 0.476 | 0.255 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (€m) | | | | |
|--|--|---|---|--|
| Note | For the nine months ended 30 September 2015 | For the year ended 31 December 2014 | For the nine months ended 30 September 2014 | |
| Profit/(Loss) for the period | 622 | 212 | 333 | |
| Items to be reclassified in the Statement of profit or loss for the period | | | | |
| Available-for-sale financial assets | | | | |
| Increase/(decrease) in fair value during the period | [B1] 902 | 1,966 | 2,011 | |
| Transfers to profit or loss | [B1] (433) | (289) | (245) | |
| Cash flow hedges | | | | |
| Increase/(decrease) in fair value during the period | [B1] 18 | 144 | 64 | |
| Transfers to profit or loss | [B1] (66) | (46) | (40) | |
| Taxation of items recognised directly in, or transferred from, equity to be reclassified in the Statement of profit or loss for the period | (133) | (566) | (565) | |
| Items not to be reclassified in the Statement of profit or loss for the period | | | | |
| Actuarial gains/(losses) on provisions for employee termination benefits and pension plans | 86 | (177) | (112) | |
| Taxation of items recognised directly in, or transferred from, equity not to be reclassified in the Statement of profit or loss for the period | (27) | 48 | 31 | |
| Total other components of comprehensive income | 347 | 1,080 | 1,144 | |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 969 | 1,292 | 1,477 | |
| of which, attributable to owners of the Parent | 969 | 1,292 | 1,477 | |
| of which, attributable to non-controlling interests | - | - | - | |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Equity | | | | | | | | |
|---|---------------|---------------|---------------------------|-----------------------|----------------------------|---|--|---|--------------|
| | Share capital | Reserves | | | Cash flow hedge reserve | Retained earnings / (Accumulated losses) | Total equity attributable to owners of the Parent | Equity attributable to non-controlling interests | Total equity |
| | | Legal reserve | BancoPosta RFC reserve | Fair value reserve | | | | | |
| Balance at 1 January 2014 | 1,306 | 299 | 1,000 | 670 | (18) | 3,859 | 7,116 | - | 7,116 |
| Total comprehensive income for the period | - | - | - | 1,209 | 16 | 252 | 1,477 | - | 1,477 |
| Attribution of profit to reserves | - | - | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | (500) | (500) | - | (500) |
| Change in scope of consolidation | - | - | - | - | - | - | - | - | - |
| Other shareholder transactions | - | - | - | - | - | - | - | - | - |
| Balance at 30 September 2014 | 1,306 | 299 | 1,000 | 1,879 | (2) | 3,611 | 8,093 | - | 8,093 |
| Total comprehensive income for the period | - | - | - | (66) | 50 | (169) | (185) | - | (185) |
| Attribution of profit to reserves | - | - | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | - | - | - |
| Change in scope of consolidation | - | - | - | - | - | - | - | - | - |
| Other shareholder transactions | - | - | - | - | - | 510 | 510 | - | 510 |
| Balance at 31 December 2014 | 1,306 | 299 | 1,000 | 1,813 | 48 | 3,952 | 8,418 | - | 8,418 |
| Total comprehensive income for the period | - | - | - | 320 | (32) | 681 (*) | 969 | - | 969 |
| Attribution of profit to reserves | - | - | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | (250) | (250) | - | (250) |
| Change in scope of consolidation | - | - | - | - | - | - | - | - | - |
| Other shareholder transactions | - | - | - | - | - | - | - | - | - |
| Balance at 30 September 2015 | 1,306 | 299 | 1,000 | 2,133 | 16 | 4,383 | 9,137 | - | 9,137 |

(*) This item includes profit for the period of €622 million and actuarial gains on provisions for employee termination benefits for €86 million after current and deferred tax expense of €27 million.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | (€m) | |
|---|---|---|
| | For the nine months ended 30 September 2015 | For the nine months ended 30 September 2014 |
| Unrestricted net cash and cash equivalents at beginning of period | 747 | 530 |
| Cash subject to investment restrictions | 511 | 262 |
| Cash attributable to technical provisions for insurance business | 415 | 625 |
| Amounts that cannot be drawn on due to court rulings | 11 | 14 |
| Current account overdrafts | 8 | 5 |
| Cash received on delivery (restricted) and other restrictions | 12 | 9 |
| Cash and cash equivalents at beginning of period | 1,704 | 1,445 |
| Cash and cash equivalents at beginning of period | 1,704 | 1,445 |
| Profit/(loss) for the period | 622 | 333 |
| Depreciation, amortisation and impairments | 425 | 492 |
| Losses and impairments/(recoveries) on receivables | 5 | 54 |
| (Gains)/Losses on disposals | - | 2 |
| Impairment of available-for-sale investments | - | 75 |
| (Increase)/decrease in inventories | (11) | (3) |
| (Increase)/decrease in receivables and Other assets | 111 | 123 |
| Increase/(decrease) in Payables and Other liabilities | 277 | (145) |
| Movement in provisions for risks and charges | (125) | (18) |
| Movement in provisions for employee termination benefits and pension plans | (29) | (36) |
| Differences in accrued finance costs and income (cash correction) | (46) | (4) |
| Other changes | 20 | (5) |
| Net cash flow generated by/(used in) non-financial operating activities [a] | 1,259 | 868 |
| Increase/(decrease) in liabilities attributable to financial activities | (180) | 150 |
| Net cash generated by/(used for) held-for-trading financial assets attributable to financial activities | - | - |
| Net cash generated by/(used for) available-for-sale financial assets attributable to financial activities | (370) | (523) |
| Net cash generated by/(used for) held-to-maturity financial assets attributable to financial activities | 1,404 | 1,332 |
| (Increase)/decrease in cash and deposits attributable to BancoPosta | 234 | 395 |
| (Increase)/decrease in other assets attributable to financial activities | (712) | (635) |
| (Income)/expenses from financial activities | (681) | (584) |
| Cash generated by/(used for) assets and liabilities attributable to financial activities [b] | (305) | 135 |
| Net cash generated by/(used for) financial assets at fair value through profit or loss attributable to insurance activities | (6,239) | 146 |
| Increase/(decrease) in net technical provisions for insurance business | 10,097 | 10,676 |
| Net cash generated by/(used for) available-for-sale financial assets attributable to insurance activities | (3,601) | (9,001) |
| (Increase)/decrease in other assets attributable to insurance activities | (122) | (5) |
| (Gains)/losses on financial assets/liabilities measured at fair value | 366 | (583) |
| (Income)/expenses from insurance activities | (662) | (1,052) |
| Cash generated by/(used for) assets and liabilities attributable to insurance activities [c] | (161) | 181 |
| Net cash flow from/(for) operating activities [d]=[a+b+c] | 793 | 1,184 |
| Investing activities: | | |
| Property, plant and equipment, investment property and intangible assets | (229) | (246) |
| Investments | (211) | - |
| Other financial assets | - | (18) |
| Disposals: | | |
| Property, plant and equipment, investment property, intangible assets and assets held for sale | 2 | 5 |
| Investments | - | 5 |
| Other financial assets | 6 | 156 |
| Change in scope of consolidation | - | 3 |
| Net cash flow from/(for) investing activities [e] | (432) | (95) |
| Proceeds from/(Repayments of) borrowings | (608) | 257 |
| (Increase)/decrease in loans and receivables | 114 | 109 |
| Dividends paid | (250) | (500) |
| Receivable authorised by 2015 Stability Law in implementation of Sentence of the European Court | 535 | - |
| Net cash flow from/(for) financing activities and shareholder transactions [f] | (209) | (134) |
| Net increase/(decrease) in cash [g]=[d+e+f] | 152 | 955 |
| Cash and cash equivalents at end of period | 1,856 | 2,400 |
| Cash and cash equivalents at end of period | 1,856 | 2,400 |
| Cash subject to investment restrictions | (315) | (302) |
| Cash attributable to technical provisions for insurance business | (939) | (1,093) |
| Amounts that cannot be drawn on due to court rulings | (11) | (11) |
| Cash received on delivery (restricted) and other restrictions | (14) | (9) |
| Current account overdrafts | - | (14) |
| Unrestricted net cash and cash equivalents at end of period | 577 | 971 |

10.4 BASIS OF CONSOLIDATION

The Poste Italiane Group's consolidated financial statements include the financial statements of Poste Italiane SpA and of the companies over which the Parent Company directly or indirectly exercises control (as defined by IFRS 10) from the date on which control is obtained until the date on which control is no longer held by the Group.

The consolidated financial statements have been specifically prepared at 30 September 2015, after appropriate adjustment, where necessary, to align accounting policies with those of the Parent Company.

The criteria and basis of consolidation adopted are consistent with those adopted in the preparation of the consolidated financial statements at and for the year ended 31 December 2014.

The following table shows the number of subsidiaries by method of consolidation and measurement:

| Subsidiaries | At 30 September | At 31 December |
|---------------------------------------|-----------------|----------------|
| | 2015 | 2014 |
| Consolidated on a line-by-line basis | 18 | 20 |
| Accounted for using the equity method | 3 | 5 |
| Total companies | 21 | 25 |

As a part of broader plan to rationalise the structure of the Poste Italiane Group, the following transactions involving companies under the direct or indirect control of the Parent Company were carried out in the first nine months of 2015:

- On 4 February 2015 and 6 February 2015, the boards of directors of Postel SpA and PostelPrint SpA approved the merger of PostelPrint SpA with and into Postel SpA. The merger deed was signed on 27 April 2015. The merger was legally effective as of 30 April 2015 and effective for accounting and tax purposes from 1 January 2015.
- The general meetings of the shareholders of SDA Express Courier SpA and Italia Logistica Srl, held on 12 March 2015 and 13 March 2015, respectively, voted in favour of the merger of Italia Logistica Srl with and into SDA Express Courier SpA by approving the related plan. Both merger deeds were filed with the Companies' Register on 16 March 2015 and the final merger deed was executed by the companies on 26 May 2015. The merger is effective for accounting and tax purposes from 1 June 2015.

In addition, the liquidation of the Brazilian company, Poste Holding Participações do Brasil LTDA (established in August 2013, and 76% owned by Poste Italiane SpA and 24% owned by PosteMobile SpA) and its subsidiary, Italo-Brasil Holding SA, has been completed and the companies ceased trading on 25 September 2015.

Following the decision taken by the Board of Directors on 15 April 2015, on 25 June 2015 the Parent Company completed the acquisition of a 10.32% interest in Anima Holding SpA from Monte Paschi Siena SpA (BMPS) for a total consideration of €210,468 thousand, based on a price of €6.80 per share. This is broadly in line with the average market price of the investee's shares on the Milan Stock Exchange during the month prior to the agreement, executed on 14 April 2015. The agreement will also result in Poste Italiane's inclusion

in the shareholders' agreement that BMPS has previously entered into with Banca Popolare di Milano (BPM), which owns 16.85% of the investee. In view of the strategic importance of the transaction and the significant influence acquired through the shareholders' agreement, the investee has been classified as an associate. Anima Holding SpA provides strategic guidance and coordination for the group of the same name, one of Italy's leading asset managers.

At the date of preparation of this document, Anima Holding SpA's interim report for the nine months ended 30 September 2015 are in the process of being approved by the investee's board of directors. The Parent Company has elected to take advantage of the option granted by paragraphs 45 *et seq* of IFRS3 and complete fair value measurement of the investee within twelve months of the acquisition date.

Finally, on 4 November 2015, Poste Vita SpA acquired a 100% interest in S.D.S. System Data Software Srl, which in turn owns a 100% interest in S.D.S. Nuova Sanità Srl.

10.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT AND FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

A - ASSETS

A1 – Property, plant and equipment, intangible assets and investment property

This group of assets includes property, plant and equipment, investment property and intangible assets.

The following table shows movements in these items during the first nine months of 2015:

| | Property, plant and equipment | Investment property | Intangible assets | Total |
|--|----------------------------------|---------------------|-------------------|--------------|
| (€m) | | | | |
| Balance at 31 December 2014 | | | | |
| Cost | 7,519 | 147 | 2,541 | 10,207 |
| Accumulated amortisation and impairments | (5,223) | (80) | (2,012) | (7,315) |
| Carrying amount | 2,296 | 67 | 529 | 2,892 |
| Movements during the period | | | | |
| Additions | 107 | - | 122 | 229 |
| Reclassifications(1) | - | - | - | - |
| Transfers and disposals(2) | (1) | (1) | - | (2) |
| Amortisation and impairments | (256) | (4) | (165) | (425) |
| Total movements | (150) | (5) | (43) | (198) |
| Balance at 30 September 2015 | | | | |
| Cost | 7,613 | 145 | 2,661 | 10,419 |
| Accumulated amortisation and impairments | (5,467) | (83) | (2,175) | (7,725) |
| Carrying amount | 2,146 | 62 | 486 | 2,694 |
| Reclassifications (1) | | | | |
| Cost | - | - | - | - |
| Accumulated amortisation and impairments | - | - | - | - |
| Total | - | - | - | - |
| Transfers and disposals (2) | | | | |
| Cost | (13) | (2) | (2) | (17) |
| Accumulated amortisation and impairments | 12 | 1 | 2 | 15 |
| Total | (1) | (1) | - | (2) |

Capital expenditure for “**Property, plant and equipment**”, amounting to €107 million, refers mainly to the Parent Company and consists mostly of:

- €16 million relating to extraordinary maintenance of post offices and local head offices around the country as well as mail sorting offices;
- €17 million relating to the installation and extraordinary maintenance of plant and equipment related to buildings and video surveillance systems;
- €33 million for the purchase of new computer hardware for post offices and head offices and the consolidation of storage systems;
- €27 million relating to work in progress on the restructuring of head offices and the restyling of post offices.

Investment in “**Intangible assets**” for the period under review amounts to €122 million and relates primarily to the purchase and entry into service of new software programmes and the acquisition of software licences.

A2 – Investments accounted for using the equity method

(€m)

| Item | Balance at 30 September 2015 | Balance at 31 December 2014 |
|-------------------------------|---------------------------------|--------------------------------|
| Investments in subsidiaries | 1 | 1 |
| Investments in joint ventures | - | - |
| Investments in associates | 211 | - |
| Total | 212 | 1 |

The main change during the period under review regards the purchase of a 10.32% interest in Anima Holding SpA from Monte dei Paschi di Siena for €210,468 thousand.

A3 – Financial assets

The following table provides a breakdown of “Financial assets” at 30 September 2015:

| Financial assets | | | | | | | (€m) |
|---|------------------------------|----------------|----------------|-----------------------------|----------------|----------------|------|
| Item | Balance at 30 September 2015 | | | Balance at 31 December 2014 | | | |
| | Non-current assets | Current assets | Total | Non-current assets | Current assets | Total | |
| Loans and receivables | 1,210 | 8,404 | 9,614 | 1,189 | 7,708 | 8,897 | |
| Held-to-maturity financial assets | 11,404 | 1,382 | 12,786 | 12,698 | 1,402 | 14,100 | |
| Available-for-sale financial assets | 104,605 | 8,054 | 112,659 | 96,674 | 10,473 | 107,147 | |
| Financial assets at fair value through profit or loss | 16,096 | 1,963 | 18,059 | 10,749 | 1,406 | 12,155 | |
| Derivative financial instruments | 584 | 19 | 603 | 368 | 22 | 390 | |
| Total | 133,899 | 19,822 | 153,721 | 121,678 | 21,011 | 142,689 | |

| Financial assets by operating segment | | | | | | | (€m) |
|---|------------------------------|----------------|----------------|-----------------------------|----------------|----------------|------|
| Item | Balance at 30 September 2015 | | | Balance at 31 December 2014 | | | |
| | Non-current assets | Current assets | Total | Non-current assets | Current assets | Total | |
| FINANCIAL SERVICES | 42,696 | 10,452 | 53,148 | 40,969 | 11,484 | 52,453 | |
| Loans and receivables | 1,123 | 8,207 | 9,330 | 1,104 | 7,514 | 8,618 | |
| Held-to-maturity financial assets | 11,404 | 1,382 | 12,786 | 12,698 | 1,402 | 14,100 | |
| Available-for-sale financial assets | 29,784 | 844 | 30,628 | 27,007 | 2,546 | 29,553 | |
| Derivative financial instruments | 385 | 19 | 404 | 160 | 22 | 182 | |
| INSURANCE SERVICES | 90,652 | 9,207 | 99,859 | 80,055 | 9,344 | 89,399 | |
| Loans and receivables | - | 145 | 145 | - | 23 | 23 | |
| Available-for-sale financial assets | 74,357 | 7,099 | 81,456 | 69,098 | 7,915 | 77,013 | |
| Financial assets at fair value through profit or loss | 16,096 | 1,963 | 18,059 | 10,749 | 1,406 | 12,155 | |
| Derivative financial instruments | 199 | - | 199 | 208 | - | 208 | |
| POSTAL AND BUSINESS SERVICES | 551 | 163 | 714 | 654 | 183 | 837 | |
| Loans and receivables | 87 | 52 | 139 | 85 | 171 | 256 | |
| Available-for-sale financial assets | 464 | 111 | 575 | 569 | 12 | 581 | |
| Derivative financial instruments | - | - | - | - | - | - | |
| Total | 133,899 | 19,822 | 153,721 | 121,678 | 21,011 | 142,689 | |

Financial assets by operating segment break down as follows:

- Financial Services, relate primarily to the financial assets of BancoPosta RFC, BdM-MCC SpA and BancoPosta Fondi SpA SGR;
- Insurance Services, includes the financial assets of Poste Vita SpA and its subsidiary, Poste Assicura SpA;
- Postal and Business Services, representing all the other financial assets of the Group.

FINANCIAL SERVICES

At 30 September 2015, **loans** amounting to €1,387 million, relating entirely to BdM-MCC SpA, reflect loans and financing provided to companies and individuals.

Receivables amount to €7,943 million, reflecting:

- *Amounts deposited with the MEF*, totalling €4,713 million, including public customers' current account deposits, which earn a variable rate of return, calculated on a basket of government bonds⁵. During the first nine months of 2015, the Parent Company entered into derivative contracts to convert part of the return on the longer-term component of such deposits to fixed rate through a series of repurchase agreements of 7-year BTPs, without delivery of the underlying securities at maturity, but with settlement of the differential between the pre-established price of the securities and their market value.
- The balance of *the Parent Company's MEF account, held at the Treasury*, amounting to €1,903 million, represents the net amount receivable as a result of transfers of deposits and excess liquidity, less advances from the MEF to meet the cash requirements of BancoPosta, and the balance of cash flows from the management of postal savings, carried out on behalf of CDP SpA. The amount in question is significantly higher than at 31 December 2014 due to the combined effect of the revised payment schedule for ex-INPDAP pensions (whereby increased payments credited to the paying agency INPS, accounted for under Payables due to current account holders, are reflected in increased receivables due from the Treasury) and the lower cash requirements of post offices at 30 September 2015.
- *Guarantee deposits*, totalling €947 million, include €935 million relating to sums provided to counterparties in asset swap transactions (collateral foreseen by specific Credit Support Annexes) and €12 million to sums provided to counterparties in repurchase agreements on fixed income instruments (collateral required under specific Global Master Repurchase Agreements).

Investments in securities and equity instruments within this segment regard:

- **Held-to-maturity financial assets**, accounted for at amortised cost of €12,786 million (fair value of €14,192 million), are held entirely by BancoPosta RFC. The decrease during the first nine months of 2015 was due mainly to the redemption of maturing bonds.
- **Available-for-sale financial assets**, with a fair value of €30,628 million, consist of €30,565 million in Italian government bonds - held mainly by BancoPosta RFC and, to a lesser extent, by BdM-MCC SpA and BancoPosta Fondi SpA SGR - and €63 million in equities.
During the period under review, the fair value of the available-for-sale portfolio rose by €591 million. Such fair value gain resulted from the combined effect of a gain of €890 million on the securities not covered by a fair value hedge - which was recognised in equity - and a loss of €299 million relating to the hedged part, which was recognised through profit or loss.

At 30 September 2014, **derivative financial instruments** attributable to the Financial Services segment, amounting to €404 million, include €281 million attributable to BancoPosta RFC and €123 million to BdM-MCC SpA.

⁵ The rate in question is calculated as follows: 50% is based on the return on 6 month BOTs, with the remaining 50% based on the monthly average Rendistato index. The latter represents the average yield on government securities with maturity greater than 2 years, which approximates the return on 7-year BTPs.

BancoPosta RFC holds:

- interest rate hedging instruments which, during the period under review, saw an increase in the fair value of the effective hedge component of €18 million recognised through the cash flow hedge reserve in equity;
- fair value hedging instruments - which are held to limit the price volatility of certain available-for-sale fixed rate instruments - saw their effective portion record an increase in fair value of €297 million, whilst the fair value of the underlying securities posted a negative change of €299 million, with the €2 million difference due to paid or accruing differentials.

In the period under review, the Parent Company carried out the following transactions:

- entry into new asset swaps used as fair value hedges with a notional amount of €4,280 million;
- settlement of an asset swap used as a fair value hedge for securities sold, hedged against changes in fair value, with a notional amount of €320 million.

INSURANCE SERVICES

Available-for-sale financial assets, amounting to €81,456 million, include €79,927 million in bonds issued by European governments and prime corporates and, to a lesser extent, units in mutual funds and equities. During the period under review, the financial instruments in question recorded a fair value gain of €489 million, of which €487 million was transferred to policyholders and recognised in technical provisions under the shadow accounting method. The overall changes in the fair value of available-for-sale financial assets during the period under review had a net positive impact on the relevant equity reserve of €2 million.

Financial instruments at fair value through profit or loss consist of:

- **fixed income securities**, amounting to €7,410 million and consisting of €5,728 million in coupon stripped BTPs.
- **structured bonds**, amounting to €1,867 million and relating to investments whose returns are linked to particular market indices;
- **other investments**, amounting to €8,782 million and relating to units of mutual investment funds. These instruments include €4,352 million invested in the *Blackrock Diversified Distribution Fund*, a UCITS, and an investment made during the period for €3,863 million in Multiflex, a UCITS, in relation to Class I products, with the aim of diversifying the insurance business's exposure to government bonds and securing consistent returns for policyholders.

At 30 September 2015, outstanding **derivatives** primarily regard warrants executed by Poste Vita SpA to cover contractual obligations deriving from Class III policies with a *fair value* of €199 million and a notional amount of €5,558 million.

POSTAL AND BUSINESS SERVICES

In the first nine months of 2015 there were no significant changes in the financial assets held by the Parent Company as part of free capital.

A4 – Other assets

This group of assets includes inventories, trade receivables and other receivables and assets.

Trade receivables break down as follows:

| Item | Balance at 30 September 2015 | | | Balance at 31 December 2014 | | |
|---|------------------------------|----------------|--------------|-----------------------------|----------------|--------------|
| | Non-current assets | Current assets | Total | Non-current assets | Current assets | Total |
| Customers | 80 | 2,520 | 2,600 | 79 | 3,001 | 3,080 |
| Provisions for doubtful debts | (18) | (465) | (483) | (20) | (450) | (470) |
| MEF | - | 1,448 | 1,448 | - | 1,315 | 1,315 |
| Provision for doubtful debts due from the MEF | - | (206) | (206) | - | (166) | (166) |
| Subsidiaries, associates and Joint ventures | - | 2 | 2 | - | 2 | 2 |
| Prepayments to suppliers | - | 1 | 1 | - | - | - |
| Total | 62 | 3,300 | 3,362 | 59 | 3,702 | 3,761 |

For more details, reference is made to the section, "Use of estimates – Revenue and receivables due from the State".

Receivables due from the MEF, amounting to €1,448 million, relate to business relationships between the Parent Company and the Ministry of the Economy and Finance, including €1,334 million in Universal Service compensation. The following table provides a breakdown (before provisions for doubtful debt):

| Item | Balance at 30 September 2015 | Balance at 31 December 2014 |
|------------------------------------|------------------------------|-----------------------------|
| First nine months of 2015 | 247 | - |
| 2014 | 336 | 336 |
| 2013 | 343 | 343 |
| 2012 | 350 | 350 |
| Remaining balance relating to 2011 | 50 | 50 |
| Remaining balance relating to 2005 | 8 | 8 |
| Total | 1,334 | 1,087 |

Receivables relating to the period 2012-14 and to the first nine months of 2015 correspond to the full compensation earned during the period as determined by the subsidy cap mechanism foreseen by the Service Contract for the period 2009-2011 which, in accordance with the survival-of-terms provision, remains valid until the entry into force of the new agreement scheduled for 1 January 2016.

On the compensation for the first nine months of 2015 and for the year ended 31 December 2014, part of the sums due, i.e. €50 million and €59 million, respectively, has not been funded in the State budget.

With regard to compensation for 2013, AGCom has initiated an assessment of the net cost incurred by the Parent Company (Resolution 493/14/CONS of 9 October 2014) and, on 24 July 2015, AGCom confirmed that such assessment would be extended to 2014.

Of the compensation relating to 2012, AGCom has accepted a net cost incurred by the Company of €327 million, as compared to compensation of €350 million calculated by the Parent Company (with funding in the state budget amounting to €322 million). The reasonableness of this amount will be the subject of review and approval by the European Commission as part of its review of the entire 2012-2014 period. On 13 November 2014, Poste Italiane filed an appeal with the Regional Administrative Court against the AGCom resolution.

For 2011, AGCom has accepted a net cost of €381 million, compared to €357 million recorded by Poste Italiane SpA in accordance with the 2009-2011 Service Contract approved by the European Commission. The balance of the receivable, amounting to €50 million for this year, has not been funded in the State budget.

The outstanding receivable relating to compensation for 2005 was subject to budget cuts imposed by legislation in 2007 and 2008.

Movements in **provisions for doubtful debts due from the MEF** are as follows:

| (€m) | | | | | | | | | |
|-------------------------------|------------------------------|----------------|---------------------|------|--------------------------------|----------------|---------------------|------|---------------------------------|
| | Balance at 1 January 2014 | Net provisions | Deferred revenue | Uses | Balance at 31 December 2014 | Net provisions | Deferred revenue | Uses | Balance at 30 September 2015 |
| Provisions for doubtful debts | 50 | 57 | 59 | - | 166 | (10) | 50 | - | 206 |

The increase in provisions in the period in question was due mainly to delays in the provision of funds to cover sums due from the MEF in the state budget (due to the effects of measures, which are still applicable to this day in the absence of more recent legislation, contained in article 1, paragraph 274 of the 2015 Stability Law – Law 190/2014).

At 30 September 2015, **other receivables and assets** of €3,251 million refer mainly to the receivables arising from Poste Vita SpA's advance payment of withholding and substitute taxes on capital gains of life policies, sums to be charged to holders of Interest-bearing Postal Certificates and Class III and V insurance policies for stamp duty at 30 September 2015.

The receivable due from the MEF of €535 million, payment of which was authorised by the 2015 Stability Law (Law 190/2014) in implementation of the decision of the European Court of 13 September 2013, was collected on 13 May 2015.

A5 – Cash and cash equivalents

| (€m) | | |
|--|---------------------------------|--------------------------------|
| Item | Balance at 30 September 2015 | Balance at 31 December 2014 |
| Bank deposits and amounts held at the Italian Treasury | 1,128 | 760 |
| Deposits with the MEF | 716 | 934 |
| Cash and cash equivalents in hand | 12 | 10 |
| Total | 1,856 | 1,704 |

At 30 September 2015, **cash deposited with the MEF** – held in the so-called buffer account – includes approximately €315 million in customers' deposits subject to investment restrictions but not yet invested.

B – EQUITY AND LIABILITIES

B1 – Equity

Share capital

At 30 September 2015, the share capital consists of 1,306,110,000 ordinary shares with a par value of €1 each, owned by the MEF, the sole shareholder.

The Initial Public Offering of Poste Italiane's ordinary shares by the Ministry of the Economy and Finance (the "MEF"), which at 30 September 2015 was Poste Italiane SpA's sole shareholder, was completed on 22 October 2015 and the shares are now listed on the *Mercato Telematico Azionario* (the *MTA*, an electronic stock exchange) organised and managed by Borsa Italiana SpA. As a result of the Offering, a total of 498,300,000 shares have been allotted, including 453,000,000 offered for sale by the shareholder, the Ministry of the Economy and Finance (the "MEF"), and the remaining 45,300,000 offered under the Over-Allotment Option in the context of the Institutional Offering. At the start of trading on the MTA, on 27 October 2015, the MEF's controlling interest in the Company consisted of 807,810,000 shares owned by the MEF, representing 61.849% of the share capital, and 45,300,000 shares loaned out, representing 3.468% of the share capital.

Reserves

| | Legal reserve | BancoPosta RFC reserve | Fair value reserve | Cash flow hedge reserve | Total |
|---|---------------|------------------------|--------------------|-------------------------|--------------|
| Balance at 31 December 2014 | 299 | 1,000 | 1,813 | 48 | 3,160 |
| Increases/(decreases) in fair value during the period | - | - | 902 | 18 | 920 |
| Tax effect of changes in fair value | - | - | (288) | (6) | (294) |
| Transfers to profit or loss | - | - | (433) | (66) | (499) |
| Tax effect of transfers to profit or loss | - | - | 139 | 22 | 161 |
| Gains/(Losses) recognised in equity | - | - | 320 | (32) | 288 |
| Balance at 30 September 2015 | 299 | 1,000 | 2,133 | 16 | 3,448 |

In the first nine months of 2015, the overall positive changes occurred in the fair value reserve, totalling €902 million, refer mainly to the increase in the fair value of the financial instruments held by the Financial Services segment (€897 million).

Shareholder transactions

Regarding shareholder transactions in the first nine months of 2015, attention is called to the Parent Company's distribution of dividends of €250 million (€0.19 per share) on 28 May 2015, as per the resolution approved by General Meeting of 28 April 2015.

B2 – Technical provisions for the insurance business

These provisions refer to the contractual obligations of the subsidiaries, Poste Vita SpA and Poste Assicura SpA, in respect of their policyholders, inclusive of deferred liabilities resulting from application of the shadow accounting method, as follows:

(€m)

| Item | Balance at 30 September 2015 | Balance at 31 December 2014 |
|--|---------------------------------|--------------------------------|
| Mathematical provisions | 80,015 | 68,641 |
| Outstanding claims provisions | 493 | 475 |
| Technical provisions where investment risk is transferred to policyholders | 7,660 | 8,503 |
| Other provisions | 9,274 | 9,511 |
| for operating costs | 90 | 83 |
| for deferred liabilities to policyholders | 9,184 | 9,428 |
| Technical provisions for claims | 107 | 90 |
| Total | 97,549 | 87,220 |

B3 – Provisions for risks and charges

Movements in provisions for risks and charges are as follows:

| Item | Balance at 31 December 2014 | Provisions | Finance costs | Released to profit or loss | Uses | Balance at 30 September 2015 |
|---|-----------------------------------|------------|---------------|-------------------------------|--------------|------------------------------------|
| Provisions for non-recurring charges | 278 | 35 | - | (1) | (19) | 293 |
| Provisions for disputes with third parties | 383 | 58 | 1 | (20) | (11) | 411 |
| Provisions for disputes with staff (1) | 184 | 13 | - | (7) | (28) | 162 |
| Provisions for personnel expenses | 115 | 57 | - | (4) | (28) | 140 |
| Provisions for restructuring charges | 256 | - | - | - | (174) | 82 |
| Provisions for expired and statute barred postal savings certificates | 14 | - | - | - | - | 14 |
| Provisions for taxation/social security contributions | 24 | 2 | - | - | - | 26 |
| Other provisions for risks and charges | 80 | 10 | - | (5) | (3) | 82 |
| Total | 1,334 | 175 | 1 | (37) | (263) | 1,210 |
| Overall analysis of provisions: | | | | | | |
| - non-current portion | 601 | | | | | 657 |
| - current portion | 733 | | | | | 553 |
| | 1,334 | | | | | 1,210 |

(1) Net provisions for Personnel expenses amount to €1 million; service costs (legal assistance) total €5 million.

B4 – Financial liabilities

At 30 September 2015, financial liabilities break down as follows:

| Item | Balance at 30 September 2015 | | | Balance at 31 December 2014 | | |
|--|------------------------------|---------------------|---------------|-----------------------------|---------------------|---------------|
| | Non-current liabilities | Current liabilities | Total | Non-current liabilities | Current liabilities | Total |
| Payables deriving from postal current accounts | - | 40,409 | 40,409 | - | 40,615 | 40,615 |
| Borrowings | 6,397 | 2,849 | 9,246 | 4,003 | 6,470 | 10,473 |
| Bonds | 2,012 | 24 | 2,036 | 2,010 | 35 | 2,045 |
| Borrowings from financial institutions | 4,376 | 2,820 | 7,196 | 1,982 | 6,429 | 8,411 |
| Other borrowings | 1 | 3 | 4 | 1 | 2 | 3 |
| Finance leases | 8 | 2 | 10 | 10 | 4 | 14 |
| Derivative financial instruments | 1,666 | 2 | 1,668 | 1,779 | - | 1,779 |
| Cash flow hedges | 72 | (1) | 71 | 55 | (7) | 48 |
| Fair value hedges | 1,588 | 3 | 1,591 | 1,716 | 7 | 1,723 |
| Fair value through profit or loss | 6 | - | 6 | 8 | - | 8 |
| Other financial liabilities | - | 3,103 | 3,103 | - | 2,492 | 2,492 |
| Total | 8,063 | 46,363 | 54,426 | 5,782 | 49,577 | 55,359 |

Bonds consist of the following:

- two bonds issues by Poste Italiane SpA, recognised at an amortised cost of €805 million;
- a subordinated bond issued by Poste Vita SpA at the amortised cost of €752 million;
- four bonds issues with a value of €479 million issued by BdM-MCC SpA.

Borrowings from financial institutions break down as follows:

| Item | Balance at 30 September 2015 | | | Balance at 31 December 2014 | | |
|--|------------------------------|---------------------|--------------|-----------------------------|---------------------|--------------|
| | Non-current liabilities | Current liabilities | Total | Non-current liabilities | Current liabilities | Total |
| | | | | | | |
| Repurchase agreements | 3,884 | 1,679 | 5,563 | 1,501 | 4,703 | 6,204 |
| Short-term ECB loan | - | 795 | 795 | - | 800 | 800 |
| EIB fixed rate loan maturing 11 April 2018 | 200 | - | 200 | 200 | - | 200 |
| EIB fixed rate loan maturing 23 March 2019 | 200 | - | 200 | 200 | - | 200 |
| EIB variable rate loan maturing in 2017 | 1 | 1 | 2 | 1 | 1 | 2 |
| Other borrowings | 91 | 344 | 435 | 80 | 914 | 994 |
| Current account overdrafts | - | - | - | - | 8 | 8 |
| Accrued interest expense | - | 1 | 1 | - | 3 | 3 |
| Total | 4,376 | 2,820 | 7,196 | 1,982 | 6,429 | 8,411 |

At 30 September 2015, outstanding liabilities linked to repurchase agreements entered into by the Parent Company with major financial institutions amount to €5,563 million. These liabilities consist of:

- €4,107 million in Long-Term RePos entered into by BancoPosta RFC, with the relevant proceeds invested in fixed-income Italian government bonds with the same nominal amount;
- €894 million in borrowings by BancoPosta, to fund any investment shortfall determined by short-term changes in current account deposits;
- €562 million in repurchase agreements designed to optimise returns and to meet any short-term liquidity requirements.

B5 – Other liabilities

This group of items includes trade payables and other liabilities.

Trade payables, amounting to €1,318 million, refer mainly to amounts due to suppliers and, to a lesser extent, prepayments and advances from customers.

Other liabilities, amounting to €2,722 million, include *other tax liabilities* of €1,230 million. The latter, in particular, refers mainly to stamp duty paid on line as of 30 September 2015 and shown gross of the credits for advance payments and tax payable by Poste Vita SpA on technical provisions.

C – STATEMENT OF PROFIT AND LOSS

C1 – Revenue from sales and services

Revenue from sales and services, amounting to €6,498 million, breaks down as follows:

| Item | (€m) | |
|-----------------------------------|---|---|
| | Nine months ended 30 September 2015 | Nine months ended 30 September 2014 |
| Postal and Business Services | 2,787 | 2,965 |
| Financial Services | 3,532 | 3,616 |
| Other sales of goods and services | 179 | 178 |
| Total | 6,498 | 6,759 |

Revenue from Postal and Business Services breaks down as follows:

| Item | (€m) | |
|---|--|--|
| | Nine months ended 30 September 2015 | Nine months ended 30 September 2014 |
| Unfranked mail | 866 | 916 |
| Automated franking by third parties and at post offices | 606 | 649 |
| Express parcel and express courier services | 301 | 292 |
| Stamps | 162 | 186 |
| Integrated services | 159 | 161 |
| Overseas mail and parcels | 87 | 76 |
| Postage-paid mailing services | 81 | 90 |
| Electronic document management and e-procurement services | 28 | 34 |
| Telegrams | 30 | 33 |
| Logistics services | 20 | 27 |
| Innovative services | 15 | 22 |
| Other postal services | 55 | 53 |
| Total revenue from Postal services | 2,410 | 2,539 |
| Air shipping services | 71 | 75 |
| Income from application for residence permits | 22 | 24 |
| Rentals | 11 | 12 |
| PosteShop sales | 7 | 16 |
| Other business services | 69 | 30 |
| Total revenue from Business services | 180 | 157 |
| Total market revenue | 2,590 | 2,696 |
| Universal Service compensation | 197 | 252 |
| Electoral subsidies | - | 17 |
| Total | 2,787 | 2,965 |

Universal Service compensation for the first nine months of 2015 is limited to the sum provided for in the state budget under the applicable legislation (article 1, paragraph 274 of Law 190/2014). More specifically, the amount attributable to the Parent Company on the basis of the subsidy cap mechanism for the period in question is €247 million. The difference with the amount recorded was included in the "Provisions for doubtful debts with the MEF". To this end, reference is made to note 10.2 – *Use of estimates* and note A4.

Revenue from Financial Services for the period breaks down as follows:

| Item | (€m) | |
|---|---|---|
| | Nine months ended 30 September 2015 | Nine months ended 30 September 2014 |
| Fees for collection of postal savings deposits | 1,214 | 1,130 |
| Income from investment of postal current account deposits | 1,158 | 1,252 |
| Other revenues from current account services | 349 | 376 |
| Commissions on payment of bills by payment slip | 331 | 381 |
| Income from delegated services | 94 | 102 |
| Fees for issue and use of prepaid cards | 95 | 86 |
| Distribution of loan products | 94 | 79 |
| Interest on loans and other income | 42 | 37 |
| Money transfers | 33 | 37 |
| Fees for the management of public funds | 32 | 29 |
| Mutual fund management fees | 32 | 28 |
| Securities custody | 6 | 9 |
| Commissions from securities trading | 3 | 8 |
| Other products and services | 49 | 62 |
| Total | 3,532 | 3,616 |

The table below provides details of premium revenue:

| Item | (€m) | |
|--------------------|---|---|
| | Nine months ended 30 September 2015 | Nine months ended 30 September 2014 |
| Life premiums* | 14,493 | 12,700 |
| Class I | 14,316 | 12,010 |
| Class III | 115 | 16 |
| Class IV | 4 | 1 |
| Class V | 58 | 673 |
| Non-life premiums* | 50 | 40 |
| Total | 14,543 | 12,740 |

(*) Insurance premium revenue is reported net of outward reinsurance premiums.

C2 - Costs

The following table provides a breakdown of the **cost of goods and services**:

| Item | (€m) | |
|--|---|---|
| | Nine months ended 30 September 2015 | Nine months ended 30 September 2014 |
| Services | 1,417 | 1,377 |
| Lease expense | 272 | 287 |
| Raw, ancillary and consumable materials and goods for resale | 130 | 171 |
| Interest expense | 45 | 95 |
| Total | 1,864 | 1,930 |

The following table provides a breakdown of technical provisions for the insurance business and and claims expenses:

| Item | (€m) | |
|--|-------------------------------------|-------------------------------------|
| | Nine months ended 30 September 2015 | Nine months ended 30 September 2014 |
| Claims paid | 5,366 | 3,964 |
| Movement in mathematical provisions | 11,372 | 10,729 |
| Movement in outstanding claim provisions | 17 | 74 |
| Movement in Other technical provisions | (456) | 94 |
| Movement in technical provisions where investment risk is transferred to policyholders | (844) | (237) |
| Claim expenses and movement in other provisions - Non-life | 20 | 17 |
| Total | 15,475 | 14,641 |

Personnel expenses include the cost of staff seconded to other organisations. The recovery of such expenses, determined by the relevant chargebacks, is posted to “Other operating income”. Personnel expenses break down as follows:

| Item | (€m) | |
|--|-------------------------------------|-------------------------------------|
| | Nine months ended 30 September 2015 | Nine months ended 30 September 2014 |
| Wages and salaries | 3,246 | 3,281 |
| Social security contributions | 913 | 923 |
| Provisions for employee termination benefits: current service cost | 1 | 1 |
| Provisions for employee termination benefits: supplementary pension funds and INPS | 202 | 203 |
| Agency staff | 4 | 7 |
| Remuneration and expenses paid to Directors | 1 | 3 |
| Early retirement incentives | 21 | 82 |
| Net provisions (reversals) for disputes with staff | 1 | 9 |
| Other personnel expenses/(cost recoveries) | (19) | (27) |
| Total personnel expenses | 4,370 | 4,482 |
| Income from settlements with fixed-term and agency staff | - | - |
| Total | 4,370 | 4,482 |

Income tax expense breaks down as follows:

| Item | (€m) | | | | | |
|----------------------|-------------------------------------|-----------|------------|-------------------------------------|------------|------------|
| | Nine months ended 30 September 2015 | | | Nine months ended 30 September 2014 | | |
| | IRES | IRAP | Total | IRES | IRAP | Total |
| Current tax expense | 271 | 57 | 328 | 252 | 170 | 422 |
| Deferred tax income | 39 | (17) | 22 | (15) | 1 | (14) |
| Deferred tax expense | (1) | - | (1) | 8 | (1) | 7 |
| Total | 309 | 40 | 349 | 245 | 170 | 415 |

The 2015 Stability Law (Law 190 of 23 December 2014) recognised the deductibility of personnel expenses for staff employed on permanent contracts for the purposes of calculating IRAP.

Moreover, in Circular 22E of 9 June 2015, the tax authorities clarified that “Provisions relating to personnel expenses included in the financial statements for periods prior to the entry into effect of this legislation, which had not been considered deductible on the basis of existing rules governing IRAP, will be considered deductible – from the tax year following that underway at 31 December 2014 – if the event in respect of which they were included in the financial statements actually occurs. In addition, as the aforementioned

provisions may have been included in the calculation of IRAP deducted for income tax calculation purposes, it will be necessary to re-calculate the IRAP deducted in previous years in relation to these events.”

The following table provides details of movements in current tax assets and liabilities during the first nine months of 2015.

| Item | Imposte correnti Primi nove mesi 2015 | | | Imposte correnti 2014 | | |
|---------------------------------------|---------------------------------------|-----------------------|--------------|-----------------------|-----------------------|-------------|
| | IRES | IRAP | Total | IRES | IRAP | Total |
| | Assets/ (Liabilities) | Assets/ (Liabilities) | | Assets/ (Liabilities) | Assets/ (Liabilities) | |
| Balance at 1 January | 587 | 48 | 635 | 559 | 58 | 617 |
| Payments of | 67 | 7 | 74 | 291 | 230 | 521 |
| prepayments for the current year | 55 | 3 | 58 | 228 | 225 | 453 |
| balance payable for the previous year | 12 | 4 | 16 | 63 | 5 | 68 |
| Collection of IRES refund claimed | (8) | - | (8) | - | - | - |
| Provisions to profit or loss | (271) | (57) | (328) | (288) | (240) | (528) |
| Provisions to equity | (23) | (4) | (27) | 14 | - | 14 |
| Other | 5 | - | 5 | 11 | - | 11 |
| Balance at end of period | 357 | (6) | 351 | 587 | 48 | 635 |
| of which: | | | | | | |
| Current tax assets | 652 | 53 | 705 | 606 | 53 | 659 |
| Current tax liabilities | (295) | (59) | (354) | (19) | (5) | (24) |

In addition to advance payments against 2015 taxes, current tax assets at 30 September 2015, amounting to €705 million, include the following items:

- €501 million in tax credits, recognised in 2012 and 2013, in relation to the IRES refund arising from the overpayment of IRAP on non-deductible personnel expenses under Law Decree 201/2011 in the years from 2004 to 2011;
- €31 million due to the payment of increased tax expense as a result of the non-deductibility of 10% of IRAP between 2003 and 2007. A claim for a refund of this sum was filed in previous years.

10.6 OTHER INFORMATION

Principal related party transactions

The nature of the Parent Company's principal transactions with related parties is summarised below, in order of importance.

- Amounts receivable from the MEF relate primarily to compensation for carrying out the universal service (USO), payment for the management of postal current accounts, reimbursement of electoral tariff reductions and subsidies, payment for delegated services and payment for integrated e-mail services, the franking of mail on credit and for collection of tax returns.
- Amounts receivable from CDP SpA relate mainly to payment for the collection of postal savings deposits.

Determination of fair value

The following table provides a breakdown of the fair value of financial assets and liabilities, in terms of the fair value hierarchy:

| Item | (€m) | | | | | | | |
|--|----------------------|----------------|------------|----------------|---------------------|----------------|------------|----------------|
| | at 30 September 2015 | | | | at 31 December 2014 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | | | | |
| Available-for-sale financial assets | 108,152 | 4,231 | 276 | 112,659 | 102,325 | 4,574 | 248 | 107,147 |
| Equity instruments | 9 | 63 | 5 | 77 | 9 | 56 | 5 | 70 |
| Fixed-income instruments | 108,138 | 2,918 | - | 111,056 | 102,311 | 3,268 | - | 105,579 |
| Other investments | 5 | 1,250 | 271 | 1,526 | 5 | 1,250 | 243 | 1,498 |
| Financial instruments at FV through profit or loss | 7,861 | 10,198 | - | 18,059 | 7,273 | 4,882 | - | 12,155 |
| Fixed-income instruments | 7,357 | 53 | - | 7,410 | 7,273 | 96 | - | 7,369 |
| Structured bonds | - | 1,867 | - | 1,867 | - | 2,368 | - | 2,368 |
| Other investments | 504 | 8,278 | - | 8,782 | - | 2,418 | - | 2,418 |
| Derivative financial instruments | - | 603 | - | 603 | - | 390 | - | 390 |
| TOTAL ASSETS AT FAIR VALUE | 116,013 | 15,032 | 276 | 131,321 | 109,598 | 9,846 | 248 | 119,692 |
| Financial liabilities | | | | | | | | |
| Financial liabilities at fair value | - | - | - | - | - | - | - | - |
| Derivative financial instruments | - | (1,668) | - | (1,668) | - | (1,779) | - | (1,779) |
| TOTAL LIABILITIES AT FAIR VALUE | - | (1,668) | - | (1,668) | - | (1,779) | - | (1,779) |

The increase in level 2 of other investments, in relation to financial instruments at fair value through profit or loss (amounting to €5,680 million), is due mainly to investments in mutual funds by Poste Vita SpA linked to separately managed funds.

Postal savings deposits

The following table provides a breakdown of postal savings deposits collected by the Parent Company in the name of and on behalf of Cassa Depositi e Prestiti, by type. The amounts are inclusive of accrued, unpaid interest.

| (€m) | | |
|--------------------------------------|---------------------------------|--------------------------------|
| Item | Balance at 30 September 2015 | Balance at 31 December 2014 |
| Postal savings books | 115,969 | 114,359 |
| Interest-bearing Postal Certificates | 207,745 | 211,333 |
| Cassa Depositi e Prestiti | 136,122 | 139,815 |
| MEF | 71,623 | 71,518 |
| Total | 323,714 | 325,692 |

Assets under management

The following table provides details of Assets under management by BancoPosta Fondi SpA SGR, measured at fair value using information available on the last working day of the period:

| (€m) | | |
|--------------------------------|---------------------------------|--------------------------------|
| Item | Balance at 30 September 2015 | Balance at 31 December 2014 |
| Collective investment funds | | |
| Funds managed by the Group | 5,254 | 1,895 |
| Funds managed by third parties | 112 | 3,153 |
| Total | 5,366 | 5,048 |

Guarantees

Unsecured guarantees by the Group are as follows:

| (€m) | | |
|---|---------------------------------|--------------------------------|
| Item | Balance at 30 September 2015 | Balance at 31 December 2014 |
| Sureties and other guarantees issued: | | |
| by banks/insurance companies in the interests of Group companies in favour of third parties | 298 | 261 |
| by the Group in its own interests in favour of third parties | - | - |
| Total | 298 | 261 |

10.7 EVENTS AFTER 30 SEPTEMBER 2015

Events after the end of the reporting period are described in the above notes forming part of this interim report for nine months ended 30 September 2015, and there are no other significant events occurring after 30 September 2015.

11. RISK MANAGEMENT

Financial risk

Management of the Group's financial transactions and of the associated risks relates mainly, as in previous years, to the operations of Poste Italiane SpA, Poste Vita SpA and, to a lesser extent, to Poste Assicura SpA, BdM-MCC SpA and BancoPosta Fondi SpA SGR.

Below a description is provided of the main financial risks to which the Group is exposed. For a full account on the qualitative and quantitative aspects of financial risk, reference should be made to the Annual Report for 2014.

Price risk - Price risk relates to financial assets that the Group has classified as "held-for-trading" and, to a lesser extent, certain financial instruments recognised as "available-for-sale" and derivative financial instruments.

In relation to financial instruments at fair value through profit or loss, price risk concerns Poste Vita SpA's investments totalling €10,086 million, of which €8,782 million relating to units of mutual funds and €1,304 million relating to structured bonds.

Fair value interest rate risk - Fair value interest rate risk refers to the effects of changes in interest rates on the price of fixed rate financial instruments or variable rate financial instruments converted to fixed rate via cash flow hedges and, to a lesser degree, the effects of changes in interest rates on the spread of floating rate financial instruments or fixed rate financial instruments converted to variable rate via fair value hedges. The impact of these effects is directly related to the duration of the financial instrument.

At 30 September 2015, the risk in question mainly concerns:

- available-for-sale financial instruments held by the Parent Company, totalling €30,300 million, and by Poste Vita SpA, totalling €80,178 million;
- financial instruments at fair value through profit or loss (€7,972 million), held entirely by Poste Vita SpA, mainly to cover Class III policies.

With regard to the interest rate risk exposure determined by the average duration of the portfolios, at 30 September 2015, the modified duration of BancoPosta's overall investments is 5.8 years (5.2 years at 31 December 2014).

With regard to separately managed funds and investments to cover specific products issued by Poste Vita SpA, the modified duration of the assets matching such policies is 6.0 years (5.43 years at 31 December 2014), whilst the duration of the liabilities (calculated as the sensitivity of the best estimate liability to a 10-basis point shift in interest rates) is 6.0 years (5.43 years as of 31 December 2014).

The financial instruments intended to cover the technical provisions for Class III policies have maturities that match those of the liabilities.

Spread risk - During the first nine months of 2015, the spreads between German bunds and government bonds issued by many other European countries, including Italy, decreased through April, benefitting from the ECB's Quantitative Easing programme, and then increased in the following two months due to the worsening of the financial situation in Greece. As the situation in Greece stabilised in the last three months, the spread narrowed. These movements resulted in a spread for the 10-year bond of 114 bps at 30 September

2015 (138 bps at 31 December 2014). The overall improvement of the perceived creditworthiness of the Italian Republic during the first nine months of 2015 had a positive impact on the price of government bonds, generating an increase in unrealised gains on those included in the available-for-sale portfolio.

Credit risk - Credit risk refers to all assets, except equities and units of mutual funds.

This risk is managed as follows:

- minimum rating requirements for issuers/counterparties, based on the type of instrument;
- concentration limits per issuer/counterparty;
- the monitoring of changes in the ratings of counterparties.

In the first nine months of 2015, the revised ratings assigned by the main agencies did not result in changes in the weighted average rating of the Group's exposures, which, for investments other than Italian government bonds, was A3 at 30 September 2015, unchanged from 31 December 2014.

In relation to "Revenue and receivables due from the state", the nature of the Group's customers, the structure of revenue and the method of collection limit the risk of default on trade receivables, within the limits indicated in section 10.2 on the "Use of estimates".

All receivables are subject to specific monitoring and reporting procedures to support credit collection activities.

Finally, with regard to financial assets, the following table shows the Group's exposure to sovereign debt⁶ at 30 September 2015, including details of the nominal value, carrying amount and fair value of each type of portfolio.

⁶ "Sovereign debt" includes bonds issued by, and loans provided to, central and local governments and government bodies.

(€m)

| Item | at 30 September 2015 | | | at 31 December 2014 | | |
|--|----------------------|-----------------|----------------|---------------------|-----------------|----------------|
| | Nominal value | Carrying amount | Fair value | Nominal value | Carrying amount | Fair value |
| Italy | 103,098 | 114,833 | 116,959 | 101,142 | 111,812 | 113,975 |
| Held-to-maturity investments | 12,612 | 12,786 | 14,912 | 13,808 | 14,100 | 16,263 |
| Available-for-sale financial assets | 84,718 | 96,319 | 96,319 | 81,164 | 91,679 | 91,679 |
| Financial assets recognised at FV through profit or loss | 5,768 | 5,728 | 5,728 | 6,170 | 6,033 | 6,033 |
| Austria | 10 | 11 | 11 | - | 1 | 1 |
| Held-to-maturity investments | - | - | - | - | - | - |
| Available-for-sale financial assets | 10 | 11 | 11 | - | 1 | 1 |
| Financial assets recognised at FV through profit or loss | - | - | - | - | - | - |
| Belgium | 95 | 96 | 96 | 143 | 146 | 146 |
| Held-to-maturity investments | - | - | - | - | - | - |
| Available-for-sale financial assets | 95 | 96 | 96 | 143 | 146 | 146 |
| Financial assets recognised at FV through profit or loss | - | - | - | - | - | - |
| Finland | - | - | - | 10 | 10 | 10 |
| Held-to-maturity investments | - | - | - | - | - | - |
| Available-for-sale financial assets | - | - | - | 10 | 10 | 10 |
| Financial assets recognised at FV through profit or loss | - | - | - | - | - | - |
| France | 208 | 222 | 222 | 268 | 284 | 284 |
| Held-to-maturity investments | - | - | - | - | - | - |
| Available-for-sale financial assets | 208 | 222 | 222 | 268 | 284 | 284 |
| Financial assets recognised at FV through profit or loss | - | - | - | - | - | - |
| Germany | 27 | 36 | 36 | 23 | 32 | 32 |
| Held-to-maturity investments | - | - | - | - | - | - |
| Available-for-sale financial assets | 27 | 36 | 36 | 23 | 32 | 32 |
| Financial assets recognised at FV through profit or loss | - | - | - | - | - | - |
| Ireland | 355 | 360 | 360 | - | - | - |
| Held-to-maturity investments | - | - | - | - | - | - |
| Available-for-sale financial assets | 355 | 360 | 360 | - | - | - |
| Financial assets recognised at FV through profit or loss | - | - | - | - | - | - |
| Netherlands | 10 | 10 | 10 | - | - | - |
| Held-to-maturity investments | - | - | - | - | - | - |
| Available-for-sale financial assets | 10 | 10 | 10 | - | - | - |
| Financial assets recognised at FV through profit or loss | - | - | - | - | - | - |
| Spain | 1,214 | 1,276 | 1,276 | 606 | 697 | 697 |
| Held-to-maturity investments | - | - | - | - | - | - |
| Available-for-sale financial assets | 1,214 | 1,276 | 1,276 | 606 | 697 | 697 |
| Financial assets recognised at FV through profit or loss | - | - | - | - | - | - |
| Slovenia | 40 | 42 | 42 | 10 | 10 | 10 |
| Held-to-maturity investments | - | - | - | - | - | - |
| Available-for-sale financial assets | 40 | 42 | 42 | 10 | 10 | 10 |
| Financial assets recognised at FV through profit or loss | - | - | - | - | - | - |
| Total | 105,058 | 116,885 | 119,011 | 102,202 | 112,992 | 115,155 |

Liquidity risk - In order to minimise the risk of experiencing difficulties in raising sufficient funds, at market conditions, to meet its obligations, Poste Italiane Group applies a financial policy based on:

- diversification of the various forms of short-term and long-term borrowings and counterparties;
- availability of relevant lines of credit in terms of amount and the number of banks;
- gradual and consistent distribution of the maturities of medium/long-term borrowings;
- use of dedicated analytical models to monitor the maturities of assets and liabilities.

In terms of BancoPosta RFC's specific operations, the liquidity risk regards the investment of current account deposits in euro zone government securities. At 30 September 2015, the maturities of investments in euro zone government securities and the portfolio replication model approved by the Parent Company's Board of Directors were largely matched, in accordance with the internal guidelines in this area.

As to the policies sold by Poste Vita SpA, in order to analyse its liquidity risk profile, the company performs Asset/liability management (ALM) analysis to manage assets effectively in relation to its obligations to policyholders, and also develops projections of the effects deriving from financial market shocks (asset dynamics) and of the behaviour of policyholders (liability dynamics).

Lastly, for the proper evaluation of liquidity risk, it should be borne in mind that, unless they are restricted, investments in euro zone government securities are highly liquid assets and can be used as collateral in interbank repurchase agreements to obtain short-term financing. This practice is normally adopted by BancoPosta.

The Group's financial structure at 30 September 2015 is solid and balanced and adequately protected from liquidity or refinancing risks. Overall, borrowings are primarily medium/long-term, except for drawdowns on short-term lines of credit and repurchase agreements to meet shorter-term borrowing requirements. The lines of credit and medium/long-term borrowings outstanding at 30 September 2015 are adequate to meet expected financing requirements.

Cash flow interest rate risk - Cash flow interest rate risk refers to the uncertainty over future cash flows generated by variable rate instruments and variable rate instruments created through fair value hedges following fluctuations in market interest rates.

At 30 September 2015, cash flow interest rate risk primarily relates to:

- a portion of the securities portfolio held by Poste Vita SpA, with a total nominal value of €8,930 million;
- the Parent Company's deposit with the MEF of funds deriving from the current account deposits of Public Sector entities, amounting to €4,713 million;
- amounts deposited by the Parent Company with the MEF and held in the buffer account, totalling €716 million.

Other risks

The Group's business is, by its nature, exposed to elements of reputational risk, linked to market performance and primarily associated with the placement of investment products issued by third-party entities (bonds, certificates and real estate funds) or by Group companies (insurance policies issued by the subsidiary, Poste Vita SpA, and mutual funds managed by BancoPosta Fondi SpA SGR).

In view of such exposure and in order to optimise the risk-return profile of the products offered to its customers, Poste Italiane has adopted competitive selection policies and procedures for third-party issuers, ensuring selection of domestic and foreign issuers among banks and financial institutions with investment grade ratings. In addition, in order to protect and safeguard the Group's excellent reputation and public confidence in its operations and to protect its commercial interests from potential dissatisfaction among savers, significant monitoring activity is carried out throughout the Group to keep track of the performance of individual products and of changes in the risks to which customers are exposed, assessing the contractual nature of the products in question in terms of how they meet the needs of the various types of customer. In particular, with regard to real estate funds sold in the period 2002-2005, which have given rise to a number of complaints and disputes, in addition to assessing the need for provisions in the financial statements, Poste Italiane is closely monitoring market trends in order to protect its customers' interests.

Details regarding other risks to which the Poste Italiane Group is exposed, such as operational risk and insurance risk, are included in the Annual Report for 2014.

12. OTHER INFORMATION

12.1 PROCEEDINGS PENDING AND RELATIONS WITH THE AUTHORITIES

The information contained in this section aims to provide an update on activities, matters and events occurring during the first nine months of 2015 and through to the date of the meet of the Parent Company's Board of Directors held to approve the interim financial report. For more detailed information, reference should be made to the Annual Report for the year ended 31 December 2014.

AGCM (the Antitrust Authority)

In 2012 the Authority launched an investigation ([A/441](#)) regarding [Poste Italiane SpA](#) to establish whether the Company had abused its dominant position in the deregulated postal services market by not charging VAT, thus benefiting from an unjustified competitive advantage. On 23 April 2013, the Authority concluded the procedure, notifying the Company that Italian VAT regulations are not in keeping with those of the EU, and cannot apply. In the ruling, which does not impose any fines, the Authority did, however, confirm that [Poste Italiane SpA](#) had abused its dominant position by applying discounts that its competitors could not match. On 21 June 2013, [Poste Italiane](#) lodged an appeal against the ruling before the Lazio Regional Administrative Court, which was rejected. On 25 March 2014, the Company appealed to the Council of State, requesting that the Regional Administrative Court's sentence and the Authority's ruling be overturned. On 10 September 2015, the Company finally notified the Authority and the other parties in the proceedings of its decision to waive its appeal (R.G. no. 2679/2014) submitted to the Council of State with a request for the expenses to be apportioned among the parties. With ruling 1160/15, filed on 13 October 2015, the Council of State declared the appeal closed.

Moreover, on 11 August 2014, Law 116, converting Law Decree 91/2014 into law, amended Italian legislation to bring it into line with EU laws, based on the approach adopted by the Antitrust Authority. Exemption from VAT thus no longer extends to deregulated services. In this case, the legislator, in compliance with EU law, has also exempted [Poste Italiane's](#) conduct prior to entry into effect of the above amendment from application of the new legislation. For the purposes of VAT, the Parent Company cannot, therefore, be punished for conduct which, until 21 August 2014 (the date on which Law 116/2014 came into effect), did not comply with EU legislation, which has only been transposed into Italian law following the above amendment.

On 4 June 2015, the Authority launched an investigation ([SP/157](#)) pursuant to art. 8, paragraph 2 *quater*, of Law 287/90, aimed at ascertaining whether actions taken by [Poste Italiane](#) were designed to prevent [H3G SpA](#) from accessing the post office network. Subsequently, the Authority notified [Poste Italiane](#) that, on 8 and 21 July 2015 respectively, it had received requests to participate in the investigation from [Fastweb SpA](#) and [Vodafone Omnitel BV](#). The end of the investigation is scheduled for 31 December 2015. At the same time the procedure was launched, [PosteMobile](#) was subject to an inspection by the Authority at its offices. The company, which was inspected as a third party in the proceedings, submitted a request to participate in order to demonstrate its lack of responsibility for any alleged violation. The hearing was held on 18 September 2015. The subsequent phases of the investigation are currently awaited.

On 13 November 2013, the Authority notified Poste Italiane SpA of an investigation (PS/7704) of alleged unfair commercial practices pursuant to Legislative Decree 206/2005 (the Consumer Code). This relates to Poste Italiane not responding promptly to requests from customers to close their current accounts. Poste Italiane responded to the Authority's requests for information, and gave the commitments provided for in art. 27, paragraph 7 of the Consumer Code, with the aim of avoiding a fine. The commitments were then further added to and submitted to the Authority, which responded positively. Having extended the proceedings until 10 August 2014, in order to obtain a prior opinion from the Bank of Italy on the commitments put forward by Poste Italiane, on 1 August 2014, the Authority closed the investigation without imposing a fine, accepting the commitments undertaken.

On 27 May 2015, the Authority notified its acknowledgement of the measures adopted by Poste Italiane to implement the commitments undertaken.

On 1 August 2014, the Authority launched an investigation (PS/8998) of the alleged violation of articles 20, 21 and 22 of the Consumer Code (misleading and comparative advertising) in connection with the "Specialcash Postepay" personal loan. A defence brief was prepared, including a response to the requests for information made by the Authority at the time it began the investigation. On 22 September 2014, Poste Italiane submitted commitments designed to resolve the alleged violations indicated by the Authority and bring about the closure of the investigation without imposition of a fine. On 4 November 2014, the Authority sent a request for further information, to which a response was made on 21 November 2014. At the same time, the Company submitted revised commitments.

In a ruling notified on 27 March 2015, the Authority closed the investigation without imposing a fine, accepting the commitments submitted by Poste Italiane.

On 9 March 2015, the Authority launched an investigation (PS/10009) into alleged violation of articles 20, 21 and 22 of the Consumer Code, regarding the "Libretto Smart" product. Specifically, the Authority claimed that, in advertising campaigns in February 2015, emphasis was placed on returns offered by Libretto Smart without providing details of the offer the advertised returns were associated with. On 3 April 2015, replies to the requests for information received at the start of investigation were sent to the Authority and, on 23 April 2015, the first set of commitments was submitted. On 12 May 2015, following a hearing held at the Authority's offices, the proposed commitments were revised and added to and a second set of commitments was submitted. On 12 June 2015, the Authority notified its rejection of the proposed set of commitments and its intention to ascertain whether any violation had occurred. On 3 July 2015, the Authority notified its intention to extend the investigation to include Cassa Depositi e Prestiti SpA, and asked the parties to provide information and documentation regarding relations between the two parties during preparation of the advertising materials. Poste Italiane replied on 24 July 2015, but decided not to submit depositions until the next phase of the proceedings regarding notification of the outcomes of the investigation. The deadline for completing the investigation, already extended to 5 October 2015, was further extended by the Authority to 4 December 2015. In a directive dated 6 October 2015, the Authority finally notified Poste Italiane of the completion date for the investigation phase (26 October 2015) and granted the parties further time for filing depositions and documents. Poste Italiane will file the relevant deposition.

The Antitrust Authority petitioned the Regional Administrative Court in October 2013 with respect to the

Ministry of Transport and Infrastructure and Poste Italiane (as agent of the consortium [PosteMotori](#), having been awarded a contract by the Ministry of Transport and Infrastructure for the provision of management and remittance services for payments, by road users, for the services provided by the Department of Transport) to declare the tender null and void and, pending a final ruling, to suspend enforceability of the tender, the tender terms and conditions, instructions to bidders, the executive order announcing the tender, all clarifications and all acts in those connections. The grounds cited for the petition were the fact that art. 11 of the tender terms and conditions restricted competition, in that points for the technical bid were awarded on the basis of the “*widespread nature, availability and number of physical payment points*”, rendering the bid evaluation process unfair in breach of art. 2 of Legislative Decree 163/06, which has established the principle of free and non-discriminatory competition in tenders for the provision and performance of services under concession. With sentence 7546/15, filed on 27 May 2015, the Lazio Regional Administrative Court rejected this petition.

[Italian National Anti-Corruption Authority \(ANAC\)](#)

On 28 September 2015, the Italian National Anti-Corruption Authority (ANAC) notified Poste Italiane that it was launching an investigation to verify the administrative procedures carried out regarding upgrade and restyling work at the Sesto Fiorentino sorting centre (FI). The Authority asked Poste Italiane to submit an explanatory report on the contract, together with the related documentation.

[European Commission](#)

The Court of the European Union’s sentence of 13 September 2013 upheld [Poste Italiane SpA’s](#) appeal against the European Commission’s decision of 16 July 2008 regarding state aid ([Decision C42/2006](#)), ordering the latter to pay the related costs. In compliance with the Decision, and as requested by the MEF, in November 2008 the Company returned the related amounts (€443 million, plus interest of €41 million). Under the 2015 Stability Law, in order to implement the Court of the European Union’s sentence of 13 September 2013, €535 million has been set aside for payment to Poste Italiane for 2014. These amounts were collected from the Italian Treasury on 13 May 2015.

The European Commission subsequently reopened the enquiry, appointing an external expert to check that the levels of interest paid to the Company from 1 January 2005 to 31 December 2007 on deposits held at the Ministry of the Economy and Finance (as per art. 1, paragraph 31, of Law 266 of 23 December 2005 “2006 Budget Law”) were in line with the market. To date, the expert has submitted to the Commission a preliminary revised version of the assessment originally carried out by the Commission. Poste Italiane intends to actively collaborate with the national authorities to demonstrate the fairness of the returns it received during the relevant period.

[Bank of Italy](#)

On 14 September 2015, with reference to the activities of BancoPosta and pursuant to art. 54, of Legislative Decree 385 of 1993, the Bank of Italy launched an inspection aimed at assessing the “transparency” of transactions, as well as the correctness of customer relations and the prevention of money laundering. The inspection is in progress.

During the first nine months of 2015, four violations of anti-money laundering legislation were notified to Poste Italiane SpA. The Company sent a related defence brief to the Ministry of the Economy and Finance regarding each of the notified cases. Overall, at 30 September 2015, there are 34 pending proceedings at the Ministry of the Economy and Finance, including 29 failures to report suspicious transactions (two of which have been completed) and five in relation to violations of the rules governing limits on the use of cash and bearer instruments.

CONSOB

The CONSOB commenced a general inspection of the investment services offered by BancoPosta in April 2013, pursuant to art. 10, paragraph 1 of the Consolidated Law on Finance. The inspection was completed in May 2014 and, based on the results, the regulator issued a report on 7 August 2014, noting a number of areas for attention and precautions to be adopted in relation to the provision of investment services. Poste Italiane is currently taking steps to address the various concerns raised by strengthening its organisational structure and procedures as part of a specific project implemented by BancoPosta. A detailed note was sent to CONSOB in June 2015, with a view to illustrating the expected development of the investment services segment and the state of progress of the plan. On completion of this consultation phase, on 7 August 2015 the CONSOB sent a note containing a number of observations, which will be duly taken into account in the planning of future actions, as well as requests for additional clarification of certain aspects. Replies were sent to the Authority on 30 September 2015. The Company will periodically inform the relevant offices on the state of progress of the various activities.

As part of this inspection, the CONSOB also launched a penalty procedure that was completed on 26 August 2015, with notification of the Company, as jointly and severally liable party, of the ruling that has fined certain representatives of the Company a total amount of €60 thousand for violation of art. 21 of the Consolidated Law on Finance.

On 9 October 2015, in connection with the launch of the initial public offering of Poste Italiane SpA's shares, CONSOB sent a request for data and information relating to the operating procedures and safeguards adopted by the Company in carrying out the transaction, as well as a final report on the offering. As requested, this information will be sent within 30 days after conclusion of the offer period.

IVASS - Istituto per la Vigilanza sulle Assicurazioni (the insurance regulator)

Following the inspection that took place between 1 April and 14 July 2014, for the purposes of assessing the governance, management and control of investments and financial risk, and compliance with anti-money laundering regulations, on 17 September 2014, IVASS notified Poste Vita of its recommendations and the start of an administrative procedure regarding the alleged violation of four provisions concerning anti-money laundering regulations. The company has submitted defence briefs and the procedure will be closed within two years.

Data Protection Authority

On 28 May 2015, in response to certain press reports, the Data Protection Authority asked Poste Italiane to provide information regarding alleged processing of the personal data of persons operating at companies (in particular IZI SpA) appointed to monitor postal service quality standards. According to the Authority, the data

was processed without providing the parties concerned with the relevant privacy notices and without obtaining their consent to use of the data.

Poste Italiane replied to the Authority before the specified deadline of 22 June 2015, noting that it had launched a special internal audit in order to be able to provide comprehensive replies to the requests made. From the provisional findings of this audit, of which only the preliminary phase has been completed, it would appear that interference with the monitoring systems in violation of the Company's policy may have occurred. Additional checks are still in progress and it is currently impossible to ascertain whether this behaviour may have influenced determination of the service quality indicators recorded. Poste Italiane has requested its legal experts to go ahead with all appropriate measures. These events may lead to the launch of specific proceedings regarding members of staff, and the possibility that the impact of such events may give rise to legal proceedings or fines for Poste Italiane cannot be ruled out.

On 29 and 30 September and 1 October 2015, the *Nucleo Speciale Privacy* (Tax Police), in implementation of Data Protection Authority order 21876/97157, as per the Data Protection Code, inspected [PosteMobile's](#) premises located in Viale Europa 190, Rome, and, on 6 October 2015, inspected the Data Centre located in Via Lancetti 23, Milan, at Colt Technology Service SpA. The inspection, which also involves other telecommunications operators, regarded a request for information and presentation of documents relating to application of the Data Protection Code, the Data Protection Authority directive on data retention (telephone and internet traffic data processing), and recent relevant legislative amendments (the Anti-terrorism Decree 43 of 17 April 2015).

Litigation

On 27 February 2015, the tax authorities notified Poste Italiane SpA of a request for accounting records to be sent to the Court of Auditors for the Lazio region, in relation to the management and distribution of revenue stamps for the years from 2007 to 2010. The hearing was held on 2 July 2015. With sentence 332 filed on 9 July 2015, the Court of Auditors for the Lazio region ordered the Company to pay an amount of €8 million, plus an adjustment for inflation between the date the records were submitted to the date of the sentence, in addition to interest payable for the period between the entry of the sentence and settlement of the fine. As sentence 332 was notified on 9 September 2015, the Company was granted the short 60-day period for an appeal. Consequently, the Company requested its counsel to file an appeal before the Central Jurisdictional Section of the Court of Auditors. The most likely outcomes of this dispute have been taken into account in determining the provisions for risks and charges.

Tax and social security contribution disputes

In 2012 the *Direzione Regionale del Lazio - Settore, Controlli, Contenzioso e Riscossione - Ufficio Grandi Contribuenti* (Regional Tax Office for Large Taxpayers) began an audit of the [Poste Italiane SpA's](#) IRES, IRAP, VAT and withholding taxes for the 2009 fiscal year. The audit forms part of the normal two-yearly controls of so-called "large taxpayers" required by art. 42 of Law 388 of 23 December 2000. This audit, which was suspended on 27 February 2013, was relaunched on 4 June 2014 and extended to include the 2010 fiscal year, exclusively regarding inspection of VAT exemption relating to postal services. The audit came to an end on 27 October 2014, with the tax authorities' findings published in the official tax audit report and accepted by Poste Italiane SpA on 26 November 2014, resulting in payment of taxation of approximately €211

thousand and application of the minimum fines of approximately €31 thousand, in addition to taxes and interest.

With regard to VAT exemption for postal services, the tax authorities did not find any irregularities, merely reporting the matter to the assessing office for the tax years 2009 and 2010. Subsequently, on 2 October 2015, the tax authorities filed the above-mentioned notifications.

On 5 July 2015, the *Nucleo Polizia Tributaria Roma* (Tax Police) carried out an inspection at [Postel SpA](#) regarding income tax, IRAP and withholding tax, pursuant to and in accordance with articles 32 and 33 of Presidential Decree 600 of 29 September 1973, article 35 of Law 4 of 7 January 1929, and art. 2 of Legislative Decree 68 of 19 March 2001. In particular, the inspection regarded the company's alleged failure to pay social security contributions for employees and/or contractors used by Wizard Srl in the years from 2010 to 2014. On 29 September 2015, the Tax Police obtained invoices issued by Wizard for the years 2010 to 2014 and an extract from the VAT records relating to these invoices. The inspection was concluded on 8 October 2015 with delivery of a tax audit report, referring to commercial transactions carried out with the supplier Wizard, contesting the right to deduct VAT and the deductibility of IRAP applied by the company in the tax years 2010 and 2014. The company is entitled to submit its comments as per art. 12 of Law 212 of 27 July 2000, as well as any documents and observations, and also to demonstrate the correctness and legitimacy of its actions before the appropriate authorities. At the date of preparation of this report, there are no grounds for making provisions for risks and charges.

On 22 July 2014, the *Nucleo Polizia Tributaria Roma* (Tax Police) commenced a tax audit relating to Postel SpA regarding direct taxes and VAT for the tax years from 2009 to 2012 included, with the aim of producing a tax audit report on the violations identified as a result of a criminal investigation, which are described above in the section on litigation. This audit came to an end on 25 November 2014, with delivery of a tax audit report in which, with regard to the commercial transactions entered into by the e-procurement business unit, the right to deduct VAT from purchases, applied by the company in 2010 and 2011, is contested. To back up its defence, on 23 January 2015 the company filed observations pursuant to art. 12, paragraph 7 of Law 212/2000, which are still being considered by the tax authorities. The likely outcome has been taken into account in determining provisions for risks and charges⁷.

Also regarding Postel SpA, various disputes relating to the statute of limitations for IRAP for the years 2004, 2005 and 2006 contested by the tax authorities, as well as an audit for the years from 2003 to 2006, were finally settled in July 2015, entailing payment of largely insignificant amounts.

Regarding the disputes relating to alleged VAT infractions notified by the tax authorities to [Poste Vita SpA](#) in connection with failure to pay VAT on invoices for servicing fees collected in the years 2004 and 2006, the Provincial Tax Tribunal of Rome ruled in the company's favour, deeming the tax authorities' claims to be without grounds. However, the tax authorities have lodged appeals against the sentences. The Provincial Tax Tribunal of Rome rejected both the tax authorities' appeals and confirmed cancellation of the tax demands

⁷ In addition, as part of a criminal investigation of third parties (no. 36768/13 RGNR), the *Guardia di Finanza – Nucleo Speciale Polizia Valutaria* (Currency Police) in Rome began an audit of Postel SpA on 15 January 2015 in order to obtain all the records and documents regarding transactions between Consorzio PosteLink, now merged with the company, and Phoenix 2009 Srl.

served on the company. Both sentences were notified to the tax authorities in July 2015. The period during which the tax authorities may appeal to the Court of Cassation has not yet expired. Regarding the disputes relating to 2005, the first hearing before the Provincial Tax Tribunal of Rome was held on 13 July 2015. As on that date the Provincial Tax Tribunal's sentences regarding the disputes for the years 2004 and 2006 had not yet been filed, the Tribunal in first instance postponed dealing with the appeal until 9 November 2015 in order to comply with the decisions of the Tribunal in second instance and to avoid making conflicting statements about identical cases. The most likely outcomes of this tax dispute have continued to be taken into account in determining the provisions for risks and charges.

Upon conclusion of a general tax audit relating to the 2008 tax year, on 22 December 2011 [BdM-MCC SpA](#) received an official tax audit report contesting the deductibility of €19.6 million in costs, relating to agreements effected in 2008 to settle disputes with the Parmalat Group. The report further claims that BdM-MCC underreported its taxable income by €16.2 million, related to the sale of non-performing loans to a company in the Unicredit Group, to which BdM-MCC belonged at the time. Considering that for fiscal year 2008 the bank had elected to participate in the tax consolidation arrangements used by the Unicredit Group, on 19 September 2012 the tax authorities served the consolidating entity, Unicredit SpA, and BdM-MCC at the domicile of the consolidating entity, with an assessment notice related to the second of the two alleged violations. On 2 October 2014, the challenge to the assessment notice filed by Unicredit SpA and BdM-MCC SpA was upheld by the Tax Tribunal. In May 2015, the tax authorities appealed against the Tax Tribunal's first ruling. Given that responsibility for these events and the related conduct rests with the previous owner of the bank, whose lawyers are defending the bank in this case, it is felt that any liabilities arising from such violations cannot, in any way, be attributed to BdM-MCC.

In November 2011, the tax authorities notified [EGI SpA](#) of three notices of assessment for the years 2006, 2007 and 2008, resulting in the identification of the same irregularity in each of the three years. This concerned the application, for the purposes of IRES, of art. 11, paragraph 2 of Law 413/1991 to properties of historical and artistic interest owned by EGI and leased by it to third parties. Following the ruling of the Provincial Tax Tribunal of Rome, on 21 March 2014, EGI was served two tax demands and, on 7 May 2014, the company proceeded to pay a total of approximately €2.1 million within the required deadline. On 23 September 2014, the Provincial Tax Tribunal of Rome upheld the company's appeal, confirming in full the arguments put forward and rejecting the cross appeal submitted by the tax authorities. Following the sentence in second instance in favour of EGI SpA, on 10 June 2015, Equitalia refunded the amount paid by the company. On 24 April 2015, the tax authorities notified EGI of an appeal to the Court of Cassation to request cancellation of the above ruling in favour of the company. In opposition to the appeal lodged by the tax authorities, on 12 June 2015, EGI SpA submitted its own counter appeal. The dispute is pending before the Court of Cassation.

Since 2012, the *Istituto Nazionale per la Previdenza Sociale* (INPS, the National Institute of Social Security) office at Genoa Ponente has issued [Postel SpA](#) and Postelprint SpA (regarding which an agreement relating to a merger with Postel SpA was signed on 27 April 2015, effective for accounting and tax purposes from 1 January 2015) a number of notices of adjustment, some of which have resulted in payment orders, for a total amount payable of €11.3 million, which, according to the agency, represents unpaid social security

contributions. The companies immediately challenged the grounds for the payment orders, initially through administrative channels before the Administrative Committee for Employee Pensions, and then in the form of legal action before the Court of Genoa. The Court awarded an injunction suspending the payment orders and adjourned the discussion until the related hearings. In a brief filed on 24 May 2014 with regard to one of the pending actions, INPS has for the first time clarified the nature of its claim for unpaid contributions, arguing that the companies, whilst correctly paying pension contributions to IPOST (a fact that cannot be contested in the light of the confirmed interpretation provided by art 7, paragraph 9 *sexies* of Law Decree 101/2013), should have paid non-pension contributions to INPS, on the assumption that IPOST represents a supplementary pension scheme and not an alternative to the general regime, and that its sole purpose is to provide old age, invalidity and survivors' pensions. According to this interpretation, Postel SpA is required to insure its employees with INPS in order to provide other forms of cover (income support, extraordinary income support, unemployment benefit and family benefits) not provided by IPOST. In part based on the opinion of its legal counsel, the company maintains that it has correctly applied the relevant legislation and that INPS's claims are without grounds. The degree of uncertainty linked to the outcome of the pending challenges has, in any event, been prudentially taken into account in calculating provisions for risks and charges at 30 September 2015.

13. DECLARATION OF THE MANAGER RESPONSIBLE FOR FINANCIAL REPORTING

The manager responsible for financial reporting, Luciano Liodice, declares, pursuant to paragraph 2 of article 154-bis of the Consolidated Law on Finance, that the accounting information contained in this interim report for the nine months ended 30 September 2015 is consistent with the underlying accounting records.

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